

# PROBLEMS IN SALES MANAGEMENT 

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## A. W. SHAW COMPANY

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## PROBLEMS IN <br> SALES MANAGEMENT

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## PREFACE

THE modern sales executive must perform his work with very imperfect equipment-imperfect, partly because of the incomplete development of other sciences, notably psychology; imperfect, largely because of the lack of scientific development along the lines of distribution. It seems strange to the observer that marketing, when understood as including the creation of time and place utility, should have suffered such neglect, when, from the viewpoint of public interest, such production is always important, and since distribution frequently takes up a larger portion of public income than production of form utility. In other words, for many commodities the costs of distribution are greater than the costs of manufacture including cost of raw material. Although distribution costs have been cut down materially in the course of the last two or three centuries, no sober examination of present-day facts would lead to any conclusion other than that of the need of applying every means to the reduction of distribution costs.

The first step is, logically, collection and classification of facts; the second, analysis of material, and conclusion; the last, the application of the principles derived.

In sales management the collection of facts has just begun. The conclusions which are drawn are necessarily tentative and are to be used only as guides for action, pending more definitive solutions to come when basis of fact is broader. The development of scientific sales management requires concentrated thought and reasonable procedure on the part of every sales executive and every student of distribution problems.

To develop the habit of passing judgment and taking action upon the basis of tangible and intangible facts
in ateordance with correct prineiples is the goal of scientifie business training. It is our conviction that this training this habit of making decisions upon facts and evidener rather than upon guesswork-can be best acouited through comsidering and diseussing problems of the tyo which admatly eonfront the business man in the comse of his artivities. It is evident that there is an infinte momber of posible combinations of circmustance: furthermore, it is not possible through description of eiremmetares to eomser all the variations in the personal factor.

In the preparation of a problem book in sates management one is eonfronterl with the difficulty not only of collecting and selecting problems, but also of determining and delimiting the field. While the writer is inclined to favor "marketing management" as indicating more dearly the scope of the field, usage favors the term "sales mangement." This volume is the result of an effort to apply the problem or case method to teaching the principles and methods of sales management. Many of the problems have been used succesfully in the sales mamament course in the Graduate school of Business Administration at Harvard University. Problems have been selected with a view to bring out the "high spots" in sales management and are all baved upon the experience of going business concerns. Nimes have, in most cases, been disguised in order to aroid disclosure of confidential material, but the essentials of the problems and relationships have been earefully retained.

Without the willing cooperation of sales executives and oflicials of many business enterprises, both with the writer directly: and indirectly through the Harvard Burean of Business Research, it would have been impossible to complete the work. The assistance rendered, and the epirit of helpfuhness behind it are gratefully ackewowded. The writer is especially indebted to the Harvard Burean of Business Researeh, in the persons of its director. Professor Melvin 'T. Copeland and special agents Richard hemihan and Neil H .

Borden for assistance in the collection and preparation of material; likewise, to his secretary, Mrs. Elsie Hight Tarasoff for faithful assistance throughout the preparation of the manuseript. The writer wishes also to express his gratitude to Dean Wallace Brett Donham, without whose personal interest and encouragement completion of the work at this time would not have been possible.

Harry R. Tosdal
Cambridge, September 1, 1921.

## PART I

THE FIELD OF SALES MANAGEMENT

## PAR'I I

## THE FIELD OF SALES MANAGEXIEN'T

sALES management, as the term has come to be used among business men, comprises the fied of management recquired for the performance of marketing functions, particularly selling. The point of riew is that of the administrative or executive officers of a business enterprise strictly speaking, it includes the management of both foreign and domestic sales, although in many business organizations the two are separate. Likewise, sales management, using advertising as one of its means of creating demand, includes the management of advertising, though similarly in business organizations the development of advertising has brought many concerns to accord it a coordinate position with the other portions of the field of sales management. While the principles of sales management may be applied to retail stores, the scope of this work is limited to sales management in wholesale and manufacturing enterprises. Sales management is not coextensive with marketing for the reason that it deals only with those functions which are necessary for the distribution of goods mamufartured or purchated for resale.

The prime marketing function, according to one authority, is selling or effecting a transfer of ownership of merchandise on terms which are satisfactory to seller as well as to huyer. The purpose of sates management is to bring about the performance of this function at the lowest possible cost consistent with continned profitableness of the business enterprise. The surecs of a concern in the performance of the selling function is dependent in varying degrees upon the performance of
other matacting functions, particularly if we regard the salde department as responsible for the performance of all functions necessary to place goods purchased or manufactured in the hands of consumers. In the creation of time and place utilities the sales department must arange for storage of finished goods, their movenent into the hands of the customer and financing within the limits imposed upon it by the administrative policy and action. While in most sales organizations financing is handled by separate officials or separate departments, the policies and methods of any company with respect to credits and terms of sale are matters of the highest importance to the sales department in the performance of the selling function. Frequently wide latitude is given to the sales department in arranging its own finances within the general limitations common to all departments and necessitated by the requirements for proper coordination of the varied activities of a business enterprise.*

Sales organizations vary likewise with respect to their interest and authority in the handling of orders and shipment of goods. Both as to policy and method, the function of delivery of goods seems to have been neglected by the sales department as compared to the pure selling function. In the study of stores systems little attention has been accorded problems of handling stocks of finished goods, and the manifold problems in coordinating sales and production. The production department has frequently operated on the principle that its responsibility has been discharged when the goods were finished and ready for delivery; since the shipping department was under the control of the production department and wat used for inward as well as for outward shipments, the sales department, on the other hand, frequently assumed that stockrooms, packing and shipping were outside its province.

[^0]While the field of production management within a manufacturing plant has been fairly well established, no such definition could be given for sales management as applied in the sales department. Sales departments vary because there is lack of any common conception of the functions of such a department. In some firms the sales department is given control of advertising; in others, not. Some concerns give the sales executive control of credits, others accord him advisory control, others no control whatever. In some concerns the sales department takes what the production department chooses to turn out; in others, the production department makes what the sales department orders. According to the broadest view the work of the executive head of the sales department eomprises all the operations necessary for disposing of goods and receiving payment therefor. The sales organization must be built, maintaned, and operated. Policies must be formulated and sales methods must be chosen to conform. Sale must be made, and order must be handled in such manner as to win good will for the company.

The application of the principles of "scientifie management" to sales organization and operation requires first of all the separation of plamning from performance and the assigmment of planning to separate individuals wherever possible. The idea of separating planning and performance in the sales department has developed very slowly. Only within the past few years has attention been drawn to the possibilities of research and planning for sales operations. There has been a very general feeling that the sales manager dealt entirely with imponderables, with factors which could not be measured. To a considerable extent this was true. The sales mamager, as well at any other executive, must deal with human nature; perhaps even more than other managers, the sales manager has been required to deal with intangible factors, because the performance of the main function of the selling department requires the acceptance of ideas by prospective purchasers outside the particular
busines organization. While, by the law of arerages, results could be predicted for particular experiments over a very wide ford, the individual sales manager is rarely in a position to assume that his partieular field was sufficiently typical to allow prediction of results for any experinent lie might choose to make.

The separation of plaming and performance may be applied to the primary function of selling. Research and planning have been used suedessfully in the shaping of products for sale athl in selecting and directing methods of selling. If advertising is to be used, the plaming of campaigns and media and sehedules can be casily separated from actual copy-writing, arrangement for space, and control. In the management of salesmen, districting of territory, and routing of salesmen, plaming may be separated from actual control while operating in the field. Eves in the management of financing, plaming is becoming more common through the adoption of rariations of the budget system. By proper planning and arrangenent of terms of sale, the sales manager determines the volume of sates which can be financed muder conditions laid down by the administration. Likewise in delivery, it is possible to separate plaming and performance, the plaming of scherlules of shipment and the routing of orders being distinguished from the actual filling and shipment.

Sales poliey implies the development of standards for practice in dealing with certain situations or the develomment of standard methods and conditions under which eertain operations shall be performed. The establishment of this standard practice requires research. Since the possitility is offered of separating the functions of plaming and performance in sales management, if follows that because different qualifications are required for the two tarks, it may be wise (at least in large organzations) to have separate planning officials in the sales organizations. While the plaming department in scientific production management has beeome well established as an essential
feature, the movement toward the extablishment of similar departments having much broader functions than the sales department is comparatively recent. These departments, sometimes called "sales rescarch," sometimes "sales plaming", and at other times "sales promotion" departments, recognize the necessity of particular characteristics for such work as well as the possibility of increasing the general efficiency of a business by proper plaming and research.

At the present time cantion must be exercised in theoretical discussions of research and planning as applied to sales, lest we lose sight of the nature of the data with which the sales executive has to work. While it cannot be denied that well-directed sales research and sales plaming departments may do much for business enterprise, the limitations of sales research and planning imposed by inadequate information should be clearly understood. Otherwise, one may be misled by a false appearance of accuracy. The logical viewpoint seems to be that the sales expentive cannot afford to disregard pertinent facts and that it is his duty to base decisions upon such facts whenever they are attainable. Rarely will all the desired facts be available, but the knowledge of those available will in proportion to their completeness limit the field for errors of judgment.

The incomplete development of business science is dearly demonstrated by a study of sales management. The absence of general principles and the lack of collected data, upon which to develop principles are shown by the number and varicty of problems which present themselves to sales executives and the utter lack of anything approaching a scientific standard of practice. There is no single correct solution for many of the problems in sales management; the successful solution in one enterprise may be unsurcessful in another. Nevertheless, much is to be gained if students. of sales management acquire the hahit of weighing alternatives before deciding. Rule-of-thumb decision is becoming dangerous in modern busines.

The problems which have been follected have been taken from study of going business enterprises of all sizes, varying from the small, strugging enterprise to the corporation whose capitalization runs into the hundreds of millions. The attempt has been made, also, to represent a variety of types of business, including those handling staple products, specialties, and materials used by manufacturers.

The problems may logically be grouped as follows:
Finss: Those problems of administrative policy which determine more or less the organization and operation of the sales department. For pedagogical reasons, this section is placed last in the present collection.

Second: Problenis dealing with building or reshaping of sales organization and relation of sales department to other departments.

Third: Problems dealing with research and planning as a basis both for sales policy and sales operation.

Fourth: Sales policy, including policies as to product, policies regarding use of marketing agencies and relations with customers and competitors.

Fifth: Sales methods, including methods of utilizing personal salesmanship and advertising, handling relations with dealers and customers.

Sixth: Management of sales force.
Seventh: (Control of sales operations. Aecounts, statistics, records and reports.

Eighth: Problems of finaneing as related to sales. Terms of sales, special methods of financing.

Ninth: Problems of the sales department in delivery of goods.

It is evident that, not only the size of the business and its total financial resources, but also the portion of those resources allocated to the uses of the sales department by the administrative officers, are of prime importance in determining selling policies and methods. Administrative officers limit the operations of the sales department, first by choosing the sales manager, and secondly by deciding upon the relation-
ship of the sales department to other departments of the business. Idministrative decision is frecuently responsible for the coordinate authority of sales and advertising managers, the coordimate anthority of sales and export managers. The location of the main sales office is usually determined for the sales manager by administrative authority. Furthermore, the administrative heads of the business may have at the outset determined that the product is to be sold direct to consumers, by mail-order methods, or that the company is to do no advertising or is to mudertake specian national advertising for a specializod product. It is evident that the sales department will be profomidy affected by any such decision.

In studying the problems in sales organization, the general factors which influence the type of sales organization to be chosen, the methods of transmitting control and securing the benefits of specialized knowledge and ability, are of particular interest. Location and establishment of branch and district offices and warehouses involves a scries of problems which the sales executive is frequently called upon to solve. More than one concern has found that branch offices were an expensive luxury and that the adoption of other means would have been beneficial from the viewpoint of the company's welfare. The construction of the selling plant is ordinarily not a prohlem of particular magnitude. It has been possible for most sales organizations to secure the space needed either at the plant or in the city selected for location; in fact, many buildings in the business district of any city are occupied largely by sales organizations. The equipment of the selling plant is primarily a problem of office management, except as it pertains to the handling of orders, in which case material and goods-handling equipment will be recommended by engineers.

The main group of problems in the building and reshaping of sales organizations concerns persomel. While in the smallest organizations the usual type is the familiar military or line organzation, as a husines.
develogs there arises the meresity of recognizing the advantages of the pritueipes of the division of labor through functional organization. The choice is open between contimamere of pure line organization and adoption of either a pure type of functional organization or a combination of the 1 wo in the line-and-staff arganization. Likewise, rhoier must be made between the eommitter type of organization and the usual single-individual aramgement. Within the organization itself derision must be made as to the extent to which departmentalization of sales organization is to be carried out, whether groupings are to be made according to the different products manufactured, by the eoncern aecording to the type of eustomers, such as wholesale or contract customers, elasses of retailers, or according to the territory in which groups of customers are located.

Given the general type, the sales organization will be modified. first of all, to fit the size and financial resources of a concern. The concern selling $\$ 100,-$ 000.000 of goods in a year will require a different organization from one selling $\$ 100,000$. Again, the sales organization should be adapted to the methods of distribution. While for many products there are traditional methods which in themselves play a large part in the shaping of the sales organization, there is today a marked tendeney to depart from traditional channels of distribution and to adopt new methorls.

The adoption of direet sale to retailers will usually require an organization which differs considerably in size and other features from the organization of a similar concern selling only to wholesalers. Lastly, sales organzation must also be modified to fit the type of buyer or average unit sale. It makes a vast difference to the sales department whether for an annual volume of $\$ 50,000.000$ there are 100,000 orders from 40,000 customers or whether there are 100 eustomers with 500 orders a year. In the first case an extensive sales organization may be required; in the second a very small one.

The chief sales executive is chosem, of comme, by the administrative oflicers, from whom he derives his authority. In general, his title will be given in this volume as "sales manager," although there is a growing tendency to make the chicf sales executive in a corporation at vice-president in charge of sales. The qualifications of the chief sales executive are in general the qualifications of any capable executive. The qualifications required for the sales executive of a particular concern will depend to a considerable extent upon the place which the sale organization oeroupes in the business.

As a starting point for good management, whether in production, financing or sales, knowledge of facts is: essential, both for administrative officials in the prep)aration of the larger plans as well as for executives and planning officials who make detailed plans to carry out major policies and functions. It is the business of research to obtain these facts. The results of such research are valuable in proportion to the completences of facts upon which conclusions an be based or the extent to which facts collected are typical. The methods of scientific researeh in any social seconee in which it is necessary to deal with huge aggregates or with large number of details and in which it is nemally. impossible to compile details covering every case must be employed in sales research. Nach nise must be made of statistical methods: much depondence phaced upon arerages as derived from ohservations of typical cases. In other words, thade texts and samples must be widely used in sales management and sales research becatue of the imposeibility of profitably (小) taining a complete set of facts.

Sales research is commonly (lasified as "low Rosearch" and "Field Reseatch," the distinction depending upon whether an attempt is made to sereme information through questionnaires and examination of publithed sources or whether personal invertigation is atilized either to obtain new data or to corroborate the result of desk researeh. While no sales mandger can owerlook
the advantage of having such information as can be secured from published sourees, too much stress must not be laid upon it, results. Deduetions from statistical data when used for sales purposes must always be influenced by kuowledge of buying habits and by many facts which eamot be measured statistically. Estimates of possible sales should not be looked upon as more than estimates. They all involve an element of personal opinion.

Research may asist in determining the uses of a product, thereby increasing the field for sales development. Research may furnish the facts whereby it is possible to determine a poliey concerning new styles and simplification of products, the addition or elimination of lines; research may be used to determine accurately the selling points of a product and the sales value of a container.

The most difficult problems connected with research are those concerning the estimate of potential demand. In rare eases only is it possible to get more than a rough estimate of the demand for a particular commodity for an individual enterprise. While it may be possible to determine the amount of the product used in the course of the year, it may not be possible to determine how much of that product is furnished by competitors. Even if these facts are secured with some accuracy, changes in industrial conditions may influence the demand. In estimate of the potential market demand for a commodity requires careful study and appraisal of a varicty of conditions and a variety of facts.

Research may be used to determine methods of reaching the market. When channels are chosen through which goods are to be distributed it may be possible for the research department to secure names and data concerning dealers both wholesale and retail as well as concerning consumers. Upon the basis of such facts the efficiency of the sales department both in the use of the method of personal solicitation and advertising may be increased. In planning for sales operations research will furnish data for laying
out of sales distriets. The work of the fied foree may be planned so as to secure much more efficient utilization of time and expenditure through careful routing of salesmen, careful planning of equipment, and fixing of standards of performanee, which in sales are usually called "quotas."

The planning of an advertising campaign and its correlation with personal salesmanship depends largely upon the information furnished by sales research, a fact which accounts for the maintenance of sales research departments by many of the larger adyertising agencies. It is necessary to have basic facts upon which to determine the advertising media to be used and the most effective ways of using the media selected. In planning of sales campaigns are concentrated most of the features of sales research and plamning for it is necessary to secure the facts by which to determine methods, and to plan each of the steps of the campaign carefully in advance of execution if best results are to be obtained.

Among the problems in sales policy which confront the sales manager are those comected with product guarantees in which the manufacturer undertakes to guarantee the quality, durability, and serviee rendered. Such guarantees offer difficulties which sometimes offset the selling advantages. Many concerns have the problem of choosing between specialization in the mamfacture of a single product or manufacturing several products to complete the line. Textiles, furniture and other enterprises must adopt a policy as to style changes. Manufacturers of more durable commodities which are liable to get out of repair are compelled to adopt some policy as to repair services and repair parts in order to maintain the good will of purchasers and climinate dissatisfaction which is an obstacle to future sales. Other manufacturers must concern themselves with brand poliey; whether brands shall be used to identify goods, whet her separate hrands shall be used for different lines of goods, a single brand for several lines, or possibly several brands for one line.

With regard to methork of distribution the mannfachurer must tirst of all determine his poliey as to chammes of distribution. Ite mast decide whether or not he will tres the ehamels which the majority of manufactures hase selected in his particular line. If the dealer sells: 10 the indepembent retailer, he must deride whether or not he is to sell to competitors of the independent retailer such as mat-order houses, chath stores. cooperation stores. If the product of the mambiarturer is one sold to wher manufacturers, he must delermine the conditions under which he will make eontract sales.

Perhaps the most dillicult policies to decide upon are those concerning priece. While in the long run economie fores determine price, the difliculty of determining market price at any time gives a wide range of choice to many manufacturers. Within limits, the manufacturer must determine the price level; whether he shall soll at the market price, at a price above the market, or at a price bolow the market; in the terms used by Shaw, "market phus, market par, or market mimus." Having determined the price level, he must decide whether in distributing over a large area the prices shall vary according to location. He must decide whether he shall adopt a uniform poliey of selling prices of allow concessions to be mate by salesmen or otherwise. In the quotation of prices it may be neecesary for him to determine whether net, list or delivered prices are to be quoted. For quantity sales he maty find difficulty in deciding whether the adrantages of quantity discounts are sufficient to offeet the possible ill-will of smaller distributors. Furthermore, the question will fresuently confront the mamufacturer of identified goods as to whether he should attempt to fix a resale price and if so to what lengthe he should go in the attempt to enforee it. During the past few years considerable public attention has been given to the question of price maintenance and guarantee against price decline. The hearings of the Federal Trade Commission revealed such variation of opinion
that it was found impossible to take a definite stand. In many industries gutarante of prices against deceline, is still a vexations problem.

The length of aredit terms is determimed both hy the custom of a trade and the financial position of the selling concern. It is obviously impossible for at concorn with small resourcesto extend long eredit terms without tying up its capital and impairing its efficiency. On the other hand, it is possible for a concern in a very trong position in the market to shorten its aredit torms es ats to secure the maximmon use of its working rapital. Trade custom will likewise have great influence in the selection of method of extending aredit, whether upon open accomet, on a sight-draft basis, trate acecptances, or otherwise. In integral part of anty redit policy is the policy concerning collections.

The policy of a businces firm eonecrning adreptising is frequently indicated by the size of the appropriation which is given to adrertising. Adrertising policer, the featuring of particular goods or particular selling points is intimately comnected with general policies of an enterprise.

At the close of the period of prosperity in $192(0$, the flood of cancelations and large amounts of goods returned without adequate camse indured many firms to make a thorough examination and overhauling of their policies towards customers. ('ancelations received much discossion and the general temdencer wats to adopet a policy of refusing to allow cancolations while at the same time making mumeroms exerptions where it appeared that rimomstanese warmanted it. Much the same might be catid of returned eoochs. 'The policy of a firm in regand to rlame and allowathes will depend to a large extent mon its previous experience, its type of mastomers, and the chatateter of the goods sold.

In the operation of the sales departmont, the first and foremost function of the sales matatger is that of using efliciently the means of selling at his dicposal. The means at his disporal may comsist mainly of
adrertisimg of ramions lypes, and perisomal walesmanship in its varions forms. 'The ate of one of these exclusively or such combination of the two ats appears necessary constitutes a large part of the work of the sales exerutives. When persomal solicitation is to be used the salles mathan linds that mamy methods are in use, sonne firms using regular salesmen to solicit orders, others supplating or supplementing regular salesmen With a "missionary" of mon-selling foree whose object is to reate demand whieh is to be filled indirectly through distributors. In introducing a new product the sales manager finds a ehance to exercise his ingenuity in devising variations of pervomal salesmanship and advertising to bring abont sales most economically.

Much is sald and writom about advertising as a means of creating eomsumors' demand. 'The creation of consmmer demand by mouns of adrertising and personal solicitation hat berome the fundamental policy of many lange manufactmomg enterprises, being regarded as a means of inswing the continuance of business profits and ats a means of obtaining control of dealers and distributors whose interests are frequently at variance with those of the manufacturer. While the attempt to create eonsumer demand is most fommon among manufacturers of finished articles, there has been some evidence of a temdence, on the part of manufacturers of materials which are incorporated in other products before reaching the eonsmmer, to attempt to create through advertising a demand for such parts as a means of developing sales to wholesate consumers. Consmmer's good will as crated by advertising and other sales methods is valued highly by business con(orns and fintacial statements show that this valuation is often reflected in the batance sheet. ('apitalization of such good will is frequently justified by business concerns mon the gromed that ite possession enables a mannfacture to effoct economios in distribution.

The creation of consumer demand is useless for many commodities moless this demand can be filled without much trouble by the average consumer. Moreover,
no advertising campaign can yicld its full benefits to the manufacturer when its goods are not sold on a mail-order basis, unless it is possible for him to place his product with distributors in the areas in which the demand has been created. When an exclusive agency policy has been adopted, the selection of distributors becomes a matter of importance because whether manufacturers wish it or not the artiche is frequently associated not only with the manufacturer's name, but also with the dealer from whom the consmmer purchases the product. The character of that dealer is, therefore, of interest to the manufacturers and care must be taken in his selection and development so as to furnish the best type of market for the line.

The manufacturer may find that it is advisable to use some sort of contract or agrement with distributors. While such contracts are not used in many industries, the custom has been developed in textiles, raw materials, grocery futures, of utilizing sales contracts which set forth clearly the terms under which orders are given and reecived. The terms of these contracts involve matters of fundamental importance to the trades concerned.

The sales manager's task is not completed when distributors are selected and orders taken, for in many lines it is not the first sale, but the repeat sales, which go to make up a profitable business. Repeat sales are not possible unless the jobber or retailer is in turn able to sell the goods. In proportion to the rapidity of his sales and profits, his good will toward the mannfacturer increases and the manufacturer benefits by increased orders. While for many products much greater sale could be secured if the jobber or retailer would single them out for emphasis, the jobber or retailer would not be performing his function if he should forget the fact that his serriec consists manly of collecting goods from many manufacturers making them available for retailers or in the ease of the retailer. collecting goods from jobbers or manufacturer's making them arailable in small amounts for consmers. Nerer-

Theless, the mamufartmer of identified goods finds it possible to sereme the interest and good will of distributors through varions types of rooperation which aid the retaller in his bosiness as a whole and incidentally help increase the sales of the manufacturer's product. Damy mamblacturers have gome to great lengthis in assisting their dealers to berome more competent distributors. There are no standards by which the sales matmarer ran selert the methods which may profitably be nsed in cooperating with jobbers and retailers.

The resoureefulness of the sales executive is called for in meeting the competition of other manufacturers of the same trpe of goods, in advertising, in selection of new tactics which confomm to best business ethics and vet which obtain the results of increased business both immediate and future. In handling cancelations, clams and complaints sales mamagers will find that judicious departures from general policies will frequently operate to the benefit of a business.

It is to be expected that numerous and difficult problems fall to the lot of the sales executive in connection with the management of a sales force, since neither upon qualifications nor work of the salesman is there any agrecment. The problen of training a sales force depends largely upon the type of salesmen selected for the organzation. The majority of business enterprises sidestep entirely the training of salesmen, either by hiring only experienced salesmen or by allowing salesmen recruits to obtain their own experience without direction or responsibility on the part of the executive. 'The loss brought about by haphazard and inadequate training has led to the development of various methods of traning ranging from occasional comferences and correspondence courses to well-defeloped resident courses supplemented by correspondence and supervision. Classes for the training of salesmen have been developed by insurance companies and with the help of certain educational institutions it is probstble that the traning of insurance salesmen has proceeded to a point beyond that reached by any
other general class. The great variety form and content of training courses is based upon fundamental differences of opinion and upon differences in complexity of products.

As in other fields of economic activity, the question of compensation of sales force is one that is far from settlement. In general, there are two basic plans similar to time and piece rates for factory work. There is the salary plan according to which the relation between the salemen's results and salary is adjusted only over long periods, and the commission plan in which the amount of compensation depends directly upon the amount of sales. Popular discussion today leads ordinarily to the proposal of a combination of the two basic plans, sometimes with the addition of bonus or profit-sharing features.

In the supervision of sales foree it is necessary for the sales executive to adopt methods which differ from those of the factory executive. Through reports and supervision by traveling managers it is possible to overcome to a limited extent the difficulties of longrange control of salesmen in the field. Nore difficult is the task of securing such cooperation and activity on the part of the sales force as to produce the desired results in terms of sales. The extent to which successful selling depends upon the attitude of the salesmen toward the house and toward his work is such that frequently extraordinary means such as contests, conventions, must be used in order to stimulate activity. These are in part a substitute for personal supervision.

The control of sales operations is effected by means of reports, records, and control officials. Frequently the difference between good control and poor control is the difference between good records and poor records. The larger the business the less possible is it to exercise adequate control of sales without current reports from all ranks of executives as well as occasional reports of outside agencies to cherk up the influence of personal factor in internal records. The general records of importance to the sales department may be classified as:
(1) Statistical reeords relating to customers, prospective customers, and sales variously divided according to products, territories, classes of buyer.
(2) Records of perfomaneres of salesmen and other members of sales fore according to individuals, districts, and so forth.
(3) Records concerning advertising, its control and results.
(4) Records of persomel giving ratings, application blanks, interviow blanks, individual items and data, and data of general nature.

With this information, together with market data and the records obtained from accounts, the sales manager may direct his own activities properly and coordinate his work with that of other departments.

While it is evident that the relation between selling and financing is very close, discussion of the capital requirements for financing sales and methods of handling credits lies properly within the scope of corporation finance and credits and collections. Nevertheless, the sales manager must never lose sight of the fact that his actions are limited by and predicated upon the financial condition of the enterprise, just as he will never lose sight of the fact that the financial success of his business depends largely upon the success of the sales department. The amount of capital necessary for financing sales depends largely upon the volume of sales and the length of the period between the receipt of goods by the sales department and the collection or payment after sales. The common sources of funds for financing sales are the working capital of the enterprise, bank loans, and loans upon the collateral furnished by current sales such as acceptances, notes, or book accounts. Under a given financial condition it is necessary for the credit department not only to determine the terms under which a specific sale will be financed, but also to determine whether specific applications for credit should be granted. The methods of handling credits may have a very important influence upon sales; too
great conservatism may cut down sales and cut profits; likewise, too great liberality may unduly increase the percentage of loss from bad debts The financing of sales is in industries producing an article which sells for higher price, a problem of importance. Special corporations have formed in the automotive industry to enable manufacturers and dealers to grant the credit required for the greatest development of sales. Instalment methods and consignment methods are replete with problems for the concerns which demand their use.

Lastly, because repeat sales and the development of consumer and dealer good will frequently depend upon the satisfaction of customers' desires with reference to delivery, the sales department is vitally interested in the way orders are handled, whether it has control of stockrooms, packing and shipping or not. Both in the case of goods manufactured to order and goods manufactured for stock the necessity for careful planning is obvious. There seems to be no good reason why the same principles of stock limits should not be applied to finished stock for the purpose of both cutting down inventory necessary to handle orders and decreasing the loss of good will through inability to fill orders promptly. Requirement for quick delivery as a selling point frequently compels the sales department to establish warchouses at strategic points and in other cities.

Public authority influences the sales executive and the distributive operations of a business enterprise at many points. (iovermment regulation of standards of quality and quantity as in pure food laws and laws relating to weights and measures; taxation as related to sales, particularly the sales tax recently the subject of wide discussion; foreign corporation laws affecting the right to do business in other states than in the one of incorporation; laws and judicial decisions concerning unfair trade practices which are often selling practices -all suggest legal and economic problems in the solution of which the sales executive has a vital interest.

The broad-minded modern sales execotive knows that complianere with present law and regnlation is not suffirient if he is building for the future. He must be in the vangutard of those who are shaping their business policies and pratetiers to eonform to the demands of enlightened public: opinion, thas anticipating the reflection of such opinion in judicial decision and statutory enactment.

> PAR'T II
> SALES ORGANIZA'TION

## PART II

## SALES ORGANI'ZATION

## OTTLINE

A. Location of sellang Plant.

1. Central sales office.
2. Branch and district officer.
3. Warehouses.
B. Selection and Conathethon of ehlhnf; Plant and Equipment.
C. Organization of Permanhel.
4. Type of organzation.
(a) Line organization.
(b) Functionsal organization of sale a department.
(c) Linc-and-staff organization.
(d) Committer type of organization.
(e) Departmentalization of sates organzation areording to product, type of extomer, or other nem-functionat bases.
5. Shaping the sale organzation th
(a) Size and financial rewomere of concern.
(b) Mothods of distribution.
(c) Character and volume of product.
(d) Type of hiyer.
(e) ()ther factore.
6. The chiof salder exembive.
(a) Qualifications :med functions.
7. Minor sales executives.
(a) Types, qualifications, dution.
(b) sources.
8. Salesmen.
(a) Qualifications and dution.
(b) Regular salesmen versus pecial typer.
9. Credit department persomed.

(a) Baxic of sulacton.
(h) Mothork: interview, applieation hlanks, pryehologianl hests, ar.

10. Intलmal orqanization.
11. Relation to main ollier.

12. Ralation to salde depatitment.

13. Salex depatment, alvertising depatment, and athorising atomer.

F'. The: Papone Deparmant.

1. Rabation of expont depatment io domentie sales.
2. Lomation of export depatment.
3. Relations of expont deparmment and domestice sales department with prodnetion department.

P's.iving.
4. Pemommel of :akeremern oiqumization.
5. Padation of sales rexanch and sale phamine to salcs, allorti-ing. and othor departments.
6. ( REDTM DJPMRTMENT.
7. Re!ation to sales depatrament.
8. ('omdination of crerlit and atars policios.


9. ()wanization for coordination or sals and produrtion.


 MENT.

## GENERAL QUESTIONS*

## A. Location of Selling Plant.

Where shall the main sales offiees of a concern be located?
What choice of location is offered? What are the advantages and disadvantages of each?
When decision has been made to extablish trameh offices, where should they be located? What considerations should detemine the choiere of lecations?
Where should warehouses be located if separate from branches". Is it adrisathle to use public warchmenge facilitios, lease warehouschaidings or portions of haidinge. or build warehouse facilities particularly for the use of the concern?

## B. Selling Plant and Equipment.

What type of building is required for performane of sale functions:?
What type of equipment should be purediased?
To what extent is the parchase of equipment within the province of the sale manager?
To what extent should matters of solling plant amb equipment be left to wficials in charge of offiee management?

## C. Organization of Personnel.

Which of the hasid forms of organization shonld be elasem for the sales department?
Which form of orgmization, line and staff of finmional. possesses the greatest advantage for the selline dopartment of a partioular conerem?" To what extent call the advantages of the forms be soched in a - mall enterprise".
What changes are rectuired to remowe difficultion in established concerns due to oremphing of anthority and incorrect organization?
Is commitese organization de-inable? Should rommitter have purely advisory or mandatory power.
How can the separation of plaming and performance bo applied in building sales organizat toms?
To what extent does this require the ntilization of oftherats whose duties are devoted solely to phaming and rescarch?"

Should the sales department subelivide its work on the hasis of functions such as allortising management, shipping, ete.;aceording to produrt, so that minor officials, salesmen, amb advertising are grouped aceording to the product to be sold; aceording to the types of purchasers of the product, so that separate salesmen and managers are to be used for large-contrant enstomers; or on other bases?

Given a prodnct and method of distribution, how can a sales organzation be shaped to fit the financial resources of the company?
Given the chatacter and volume of the products to be sold and limited financial resources, how are methods of distribution to be chosen which will permit of an efficient sales organization?

What organization is required for selling through wholesalers?

What are the organization requirements for sale direct to retailers?

What organizations are reguired for the following types of business?
(1) Mail order to retailers exclusisely.
(2) Sale of product through selling house or manufacurer's agent.
(3) Selling through johbor: only, either using mail methods exclusively, personal salesmanship and advertising, or combinations of the two.
(4) Selling both to jobhers and retailers or selling through jobbers exclusively by soliciting orders from retailers, which are filled through jobbers.
(5) Selling direct to retailers generally, but to jobbers in some districts.
(6) Selling to retalers exelinively.
(7) Selling through branch houses or branch stores direct to consmmers, together with sale to independent retailers.
(8) Sale to wholesale consumers; contract selling.
(9) Sale direct to consumers at retail.

What should be the qualifications of the chief sales executive? Are the requirements for successful executives in other lines applicable to the sales manager without morlification?

To what extent does the separation of plaming and performance affect the qualifications rectuired of a suecessful sales executive'. 'To whom should the sales manager report? What should br his place in the husiness organization?
What are the trpes of minon sales execotives? What should be their qualifieations? Shombthey be selected from the plant of from ontside the orgamization" How should they be ehosem". To what extent should the principle of foremanship be applied in the management of salesmen? Should sabres supervisors, squad leaders or fied men be employed in all types of sales organizations? What should be the duties of supervisors of salemen? Should salesmen be regarded as eandidates for promotion through minor executive positions to major positions in an organization".
What are the types of salemen? Under what condition should sales organization utilize special salesmen for different products? When is it advisible to use junior salesmen and so-called "missionary" salemen?" How should salesmen be solected? What methods of selection are most satisfactory-intorview, application blanks, psychological tests, ote.? To what axtent will careful job analysis assist in the selection, training and management of salesmen and sales executives?

## D. Branch Office Organization.

What should be the relation of the hranch or district office to sales headquarters? Shoukd the branch be practically an imdepentent organzation or should it be subjected to close and detailed supervision?
How should branch managers be selected.
What arrangements should he made at the banches for controlling credits, handling advertising, carrying stock, accounting and finance?

## E. The Advertising Department.

What should be the relation of the advertising department to the sales department? Should the derertising department be subordinate to the sales department?
Who should pass upon advertising appropriations; upon plans for advertising (ampaigns?
What should be the relatiomship of the advertisinge department to the advertising agencre? If a competent adrer-
lising agency is emphosed, is an thertising department nerematry"

## F. The Vexport Departament.

Since the export Aepartanent deats with selling, should it not lor combined with dommetio sales mader the headship of the "hicof salde "xerntime".
 from the domestic sales depatiment?

Shomld the lacation of the expert department be determimed by the same fatore as the lowtion of the domestic saldes department?
What ormazation is mpared for the smonth cooperation of export departmont, domestic salfes department, and prodaction department?

## (i. Organization for sales Research and siales Planning.

What pereomel is reduited for salse recereh?
What plater should -ales reacorch amd plaming occupy with reforence to the sales department?
When and to what extont ran sales researeh and market analysis be performed hy the adrortime agency a part of its work in preparation for alrortising campaigns?

## H. ( Redit Departaent.

Should the wedit department be a part of the sales department of shmald contmon orelits be given to the finamedal department of the businese concern? What are the armanent- for earla plan". What oreanization meat sures help) to comelinate eredit management and sales? Shonld the rexlit departmont he rontralized on derentralized in later oreanzations - :lling thromeh hathehes.

## I. Prodecotion Dephrthent.

What -hould he the relation of the sales department to the
 provide for eomediation of salde amd production". What ate the als:antame and disadrantage of commettees "reated for the purpores"
What is to be satid for periatized coordinating officers?

## J. Financial Department.

What relationships should exist between the sates department and the areombing and finamod demartments? To what extent should the financial department hold a cheek over the sales department".

## K. Traffie Departaent. Packing and Shipping.

What shonld be the position of the tratfee department with reference on the eales department? Should parking and shipping le controlled he the sales department? What means should be adonted to swoure proper coordination of activities if packing and shipping is mot contolled by the sales department? ${ }^{1}$
*The literature devoted tosales organization in comparationy moger. J. G. Frederick, Moderu sales Management. Chaphers I, III, IV and XII; A. W. Shaw, Approuch to Business D'roblems, Chapters III, IV, VII and IX; (. S'. Duncan, Marktimg: It.: Problems and whethods, Chapter 19; witl be fomind helpful.

The most specific printed sonere of information as to present organization practice is Modern Salds Orgonization. comprising a smmmary of practices of business concems as made hy J. ('. . Lapley, of the Datnell Corporation. John (i. Jones, Sulesmanship and biles Management, Part I, Chapter 9 and Part III, Chapters I and II: ('. W. How, Scientific Sales Management, (hapter: I, II and XVI ako cheat with various aspects of the sales organization.

The following take up saldes organzation incidentally to the discussion of general husiness organization: Ehward D. Jones Amminstration of Industrial Enterpmes, (hapters 111 and VII; D).s. Kimball, Principles of Industrial Orgunizaliom. (hapter I'1; ('. B. (Boing, I'rinciples of Industrial E'ngimering, (haptar III; Hugo Diemer, Pactory Organization and Administration, (hapher III. II. T. Wright gives an interesting viewpoint based on English pratice in Oigmizalion as Applied to Intustrial Probleme, Chapter VII upon "The Co-ordinating Manager," Chapter LX apon "The Commercial Nanager," and (hapter X upon "Therakes Department." She further A. H. Church, The Science and Prartict of Managemon, pages e2s and 111, and L. ('. Marshall, Readings in Busimess Administration, articles in Printers' Ink and Sales Managroment, sales Monager and Srstesi.

## Prombem 1 <br>  <br> Minerarntrate**

(a) The Vicoory shoe (ompany incorporated in 1907 as sumeresors 10 a smaller company, has two factories located in Brocktom, Nassachmetts. The (apacity of these plants is about 8 , 5 ofo pairs per day of men's and womon's (ioodyear welt and Me大ay shoes.

Up to 1911 the sales ofliere were located at the plant. It that time a location wate seremed in the wholesale shoe district of Fostom, 20 miles away, and the selling offices were moved to the market econter. Officials believel that there would be a suffecient advantage in location, throngh the posibility of contact with visiting busers and with other members of the trade, to offset the very considerible expense of maintaining offices in a high-rent district.

The company distributes its product through its own stores located in the larger cities of the United States and in the smaller phates through exclusive agencies. It employs national adrertising on an extensive scale. Some emphasis is laid upon mail-order business. Its entire product, with some turned shoes purchased to round out the line, is daken hy its own stores and selected distributors, the latter taking $50 \%$ of the output. Is a means of rutting down expense to meet the needs of a period of depression and falling prices, late in 1920 , the (ompany serjously considered the remoral of its sales offices to the plant, where suffirient foom was arablable.

## Question

shomld the company have moved the offices to the plant?

[^1](b) The James P'. Alden ('ompany, likewise located in a suburb of Brockton, sells: a widely advertised, trade-marked shoe through exclusive agencies located in all parts of the Cnited states and throngh 70 stores in which it holds stock indirectly through a holding company subsidiary to the manufacturing corporation. Its capacity is 24,000 pairs per day, and annual sales over s25,000,000. Its production comprises only the trade-marked limes.

The company's man sales offiees are located at the plant. In the falling market the question came up as to the advisability of locating offices in Boston. It was argued that, with the large production and the necessity of having an extensive list of customers, benefits would be derived from a Boston location.

## Question

Should the location of sales offices at the plant have been continued?
(c) The H. V. Hammond Company, located in another suburb of the shoe-manufacturing city, has a capacity of 10,000 pairs per day. Its main sales office is located at the plant, while it maintains a sample room in Boston. Shoes are sold through the regular chan-nels-some of them through wholesalers, but most of them to retailers.

## Question

If the sample room is in charge of a competent representative of the sales organization, is there any reason for location of the sales office in Boston?

$$
\begin{aligned}
& \text { Phobleald }
\end{aligned}
$$

'The White ('omptally of ('leveland, manufacturing Wommens and missos' shits amd robaks of modiam and higher grades, zells its pooduct mainly west of the Ohio River. Now Vork location offers no particular advantage in buring fablics, beratue the hayers of the firm attend the operings of the woolen trade in February athd midemmmor. 'The companys, further, receives style servier from varions somores and ferls that it can kere in touch with seles withont the aid of at New York offiece. On the other hatad, there is notable eoneentration of the suit and cloak mamufacturing industry in New Vork, which is known as the style center for the Enitodstates. The ast of a branch office would be at least $\$ 10,000$ per year; to mantain the entire sales organization in New lork would involve considerably larger expernse.

## Questions

1. Should the company establish sales headquarters or at least a branch office in New York?
2. If so, is the adrantage of a Fifth Arenne location suffieient to warrant the extra expense".

## Problem 3

## Locithon of Brancli Orfices

(a) In Angusi, 1920, the J. V. Hateh Company was organized to take over the Francke Pipe and Valve Company, which was then in the hands of a receiver. The Francke ('ompany had conducted a manufacturing business and pipes, pipe fittings, and valves, with factories in a Rhode Iskand city and Chicago. The com-
pany had attained a national distribution, but through losses in inventory in the depression of 1920, and a sudden and acute loss of sales, bankruptey had resulted.

The management of the Hatch Company, in surveying the situation, decided that a reorganization of the distributive system was necessary. Among other things the matter of location of branches and the number necessary to furnish satisfactory marketing facilities were considered. R. N. Smith, the vice-president in charge of sales, maintained that five branches, strategically located, were sufficient for national distribution.

## Questions

1. Was he right in this contention?
2. Where should the branches have been located?
(b) The B. M. Swett Company, located in a manufacturing city of New England, is a large producer of woodworking machinery, such as timber sizers, planers, surfacers, molders, automatic knife grinders, trim saws, etc. The machines range in price from $\$ 1,000$ to $\$ 9,500$ each, vary in weight from $2,000 \mathrm{lbs}$. to $30,000 \mathrm{lbs} .$, and are sold direct to saw mills, planing mills, furniture factories, and other manufacturers of wood products.

Prior to 1916 the output of the factory was disposed of through agency agreements with machinery dealers in various cities of the United States. It that time the management considered the advisability of attempting to secure a greater degree of control of sales and more aggressive selling by establishing branch offices. The company had sufficient capital to finance such an undertaking. An alternative was proposed of controlling a sales force from the New England office without setting up branch offices.

## Questions

1. Would it have bern advisable for the management to establish branch offieses.
2. If so, where should they have been located?
3. What should have been the order of establishment"
(c) The Black Furniture Company plant is in a small town near Xichigan:s hmber section, originally so located because of the nearness of raw material. The company for 20 years manufactured the cheaper grades of furniture, selling entirely through agents, one located in New York, and the other in Cirand Rapids. Later, through it, success in securing designers, it began to acquire a reputation for good styles. New lines were added and the eheaper grades ultimately thrown out, manufact ure being confined to higher grades in period styles. In 1915 the company wished to take over the sale of its product and to establish its own sales organization to sell to retailers, with such offices as should be necessary. The management was finally able to limit consideration of the location problem to two solutions:
(1) The location of the main sales office at the plant, with sample and branch offices at Cirand Rapids and New York (ity.
(2) Location of the main sales office at Grand Rapids with a branch in New York City.

## Question

Which location should be adopted?
(d) The Zetter Metal Products ('ompany mamuacture steel office furniture, as well as metal lathe and concrete reinforcement material. The company is of comparatively recent origin, having been incorporated in 1916. It has, however, experienced a very rapid growth and the management in the first few years was continually faced with the problem of selecting new locations for branch offieses. Siales were made through the branch offices to consumers or direct to retailers. It has been the policy to establish a branch office whenever it has been thought that within areasomahle length of time it would show a profit. In 1917 the sales manager undertook a study of the locations in which he should place his branch offiees with a growth of business.

## Question

What locations should he have chosen?

## Problem 4

Location of Bravimes Machinery Mancfacterer
The Electric Crane Company, manufacturing electric overhead traveling cranes, electric hoists, electric ship winches and accessories, has a plant located in central New York. Sales headquarters are located at the plant. The company has five branch offices at New York City, Philadelphit, Pittshurgh, (hicago, and san Franciseo owned and controlled by the eompany and nine agents selling on a commission basis in ot her cities. The sales are made direct to user; and, since each sale is in part an engineering proposition, it is necessary to work up each contract over a considerable period of time by conferences with the engineering departments of customer concerns. The salesmen are without exception men of engincering training and experience.

The branch offices have proved sery satisfactory in the experience of the company and it is contemplating adding three new ones in the very now future as part
of the plan of having bramohes in all of the most important centers of the country.

## Questions

1. Where should the new hranch offices be located?
2. What considerations should determine the order of their establishment?

## Problem 5

 Lochtion of WarehousesThe Lever Brothers Company manufactures a line of soap and soap specialties, its product being nationally advertised and having a very large distribution, particularly among grocers. The company distributes through jobbers, maintaining, however, a large force of salesmen to solicit business through retailers, orders secured being turned over to the jobbers for filling. It is estimated that this company, for certain of its soap products, reaches over $80^{\circ}$ of the grocers of the United States and a large proportion of drug stores and department stores.

The lrocter \& Camble Company, a competing concern, has recently undertaken to distribute direct to retailers, discontiming its dependence upon jobbers. The company has likewise achieved intensive distribution of its product among grocers on the basis of longcontinued advertising in national and local media and by a long period of personal solicitation through its sales force cooperating with jobbers.

In order to supply the trade, both concerns have found it necessary to establish warehouses or engage warehouse facilities in various cities.

## Questions

1. What should be the number and location of warehouses for Lever Brothers, in order to satisfactorily serve the jobbing trade?
2. How would the number and location of warehouses be changed to fit the needs of Procter \& Camble in distributing direct to retailers?

## Problem 6

Sales Organtzation-Conflicting Authority
The Currier Rubber Company's organization is in general of the military type, authority passing directly from the president to the workmen at the benches. Because of personal interests and preferences, there is no clearly defined concentration of authority, each officer lending his hand in almost any line when emergency arises. The sales manager of the factory or New England sales brauch handles all the stock issues of the company and performs all duties connected with the development of new products.

The board of directors consists of the president of the company, who acts as both general manager and manager of distribution, the treasurer who is also first vice-president and factory manager, the second vice-president who is manager of tires and advertising, the manager of the Chicago office, and two other men not directly comected with the company; the secretary acts as paymaster and reports directly to the president. One man acts as office manager, accounting manager, and statistical manager; another man acts as attorney; another as manager of shipping and stores; a fourth, who is manager of credits, reports
directly to the president, as do the others. The managers of the Now lork. (hicago and New England distriets repert direetly w the president, acting in the capacity of mathare of distribution. If one bears in mind that in several ease olle man oecopies two or more of the peritions indicated, the following chart will illustrate the present organization.


Question
Draw up a plan for an ideal organization for this concern, which may be used as a basis for developing the present organization as changes take place from time to time.

## Problem 7 <br> Line-and-Stafe Orginization

Although military or line organization insures clear demareation of authority, the many decisions to be made in large organizations upon matters of sale, production and finance demonstrate the desirability of securing some of the advantages of functional specialization without the possible confusion of authority. Many firms have, therefore, adopted a combination usually called "line-and-staff." Among these is the Stetson concern, manufacturing pipe fittings and valves. Authority is tramsmitted directly from the president to the following officers: vico-president in charge of engineering, purchasing agent, comptroller, vice-president in charge of production, employment manager, vice-president in charge of sales, treasurer, and traffic manager. The president is assisted by the executive committee, consisting of the comptroller, vice-president in charge of sales, and staff assistant or chief of staff; also by the staff consisting of an organization expert, the executive assistant to the president, and the staff assistant mentioned above.

The ideal staff features in any large industrial organization are said to include a chicf of staff, who should be broadly educated and expert in management and whose duties should be to direct research and conferences between staff and line. In addition, there should be as members of the staff, first, one versed in accounting, business statistics, records, and cost systems; another, an engineer in charge of testing materials; a third, capable of giving advice relative to buildings, equipment, and production methods; a fourth, able to handle labor relations.

## Questions

1. Is the staff of the Stetson Company complete?
2. Under what conditions can such a staff fulfil the functions of an ideal staff?
3. Is any staff complete without a member competent to give advice as to distribution problems?


## Problem 8

Changing Line to Line-and-Staff Organizations
The chart on page 40 illustrates the line organization of the Ronald Adding Machine Company, which manufactures adding and calculating machines and distributes them throughout the United States.

## Questions

1. What changes would be necessary in the organization in order to make it a line-and-staff organization?
2. What would be the advantages of a change from the viewpoint of management of sales?

## Problem 9

Functional Organization* .
The general manager of a large rubber manufacturing concern located in Akron is an enthusiastic advocate of functional organization. The organization of his firm is illustrated by the diagram on page 42 .

In preparing the organization manual, the duties and authority of the principal members of the department were outlined. The following are examples as applied to the manager of distribution and one of the subordinate executives:

General Scope of Daties of Mannger of Distribution
(a) He is to have entire charge of personnel in branches operating under the management head.
(b) He is to have responsibility for control of expenses of operation of branches.
(c) He is to carry out the sales policies of the Manager of Distribution.
*In addition to the general works mentioned above, see F. W. Taylor, Shop Management, pp. 95-107.
(d) Ite is to sere that the written areounting systems of the Manager of Acommting are carried out in the branches.
(e) Same for credit.
(f) He is to cary wht the merohambinge policies as issued from time to time liy the Mandger of Footwear Merehandise.


Mutios of Manage uf sules Prometion
(Reports to Manager Tibesales)
(a) He has direction of branch salesmen's work, subdivided into:
(1) Securing and handling of salesmen's reports and weekly letter:-
(2) Iswe to salesmen and branch managers series of bulletins regarting details of sales work.
(3) Compilation of the sales manual.
(b) He is to keep in touch with the advertising ("ampaigns and policies of the company and interpret the same to the sales force.
(c) He is to cooperate with the statistical department and from the statistical departmont derive figures on which to base territorial analyses.
(d) He is to keep records of each salesman's efforts.
(e) He is to lay plans for sales campaigns in order to realize quotas set by the statistical department.
$(f) \mathrm{He}$ is to organize a system of sales promotion in connection with inquiries received from advertising media.
(g) He is to delegate to an assistant the duty of the details involving the interpretation of policies and statisties to the sales force so as to keep branch sales forees properly informed at all times as to objective desired and results accomplished.

## Question

Prepare a set of instructions for the manager of tire sales, the manager of tire branches, the manager of tire jobbers, who reports to the manager of tire sales, and the manager of advertising.

## Problem 10

Functional Orginization- Contaret witil ('uttomers
The sales manager of a large clothing manufacturer selling direct to retailers, whose sales amount to some five million dollars per year, found that his gross sales had been stationary for several years. More salesmen were hired, territories were cut down, and adrertising was increased without material results. Further analysis of sales data showed that the sales per customer were small, that the changes in the list of small customers were numerous, and among large customers few. The conclusion was drawn that there was discrimina-
tion among large and small customers, although salesmen were continually ordered not to favor large customers. While close examination revealed no glaring discourtesy to small customers, it was found that members of the sales department were mach better acquainted with the larger enstomers and that much more satisfactory letters were written to them. The sales manger felt that the fault was not that of any individual, but lay in the organization itself. His internal organization was largely functional; the credit man and a few correspondents (his assistants) took care of all credit problems and handled all correspondence as to redits. Another department head, with his assistants, took care of all complaints whether referring to goods, prices, shipments, returns or other matters. Still another department handled all correspondence relating to sales promotion.

The sales manager has great confidence in functional organization, but he is impressed with the fear that it tends to cause lack of contact between house and customers.

## Question

Is it possible to offset this disadvantage by a modification of the present organization?

## Problem 11

## Committee Orginization

The Hammett Company manufactures an extensive line of paper products, including labels, tags, tissue papers, jewelry boxes, paper articles for holiday trade, etc. The board of directors consists of six men, one of whom is in charge of purchasing; the second in charge of manufacturing, warehousing, shipping, finance, accounting, and office; the third in charge of the retail stores maintained by the company in five of the larger cities; the fourth in charge of merchandising;
the fifth in charge of selling personnel; and the sixth in charge of foreign sales.

Extensive use is made of a system of advisory committees which are not themselves executive bodies, but are in all cases advisory to some executive. The work that the committees undertake is of various types, but in general, wherever the development of plans and policies calls for full presentation and understanding of the interests of two or more separate administrative units of the business-for instance, production and sales, production and foreign sales, domestic sales and foreign sales, or the like-wherever coordination is the principal problem, committees are used and the management claims that they fill a place that cannot be filled by any other device of management.

Relating to sales work there are several types of committee:

1. The subordinate merchandise committees.
2. The chief merchandise committee.
3. The advertising committee.
4. The sales committee.

The subordinate merchandise committees are five in number, divided and named according to the sales departmentalization of the product of the company; e. g., the holiday trade committee, the jewelry trade committee, and others. The chairman of a committee is the merchandise manager for that department; the man whose duty in the sales work is to stimulate the sale of products placed in his department. Other members of these committees are taken from the sales force and from the production departments. Each committee acts in an advisory capacity to the chief merchandise committee on such matters as regards means of improving the product, packaging, and stimulation of sales.

The chief merchandise committee consists of the five merchandise managers, those who act as chairmen of the subordinate committees. This committee passes on all recommendations of the subordinate merchandise
(eommitters. Briofly the functions: of the merchandise managers: and of this eommittore aro ats follows:

Direction of sale by lines.
Instruction of salesmen in selling.
Development of merehamelise.
Control of schedules for making and introducing new morehtandize.
Pasing on all questions relating to change of labels, goods. or put-up.
Dropping of old moreltandise, or disposing of dropped goods.
Recommendation of selling prices to the estimating departmont. whose sohedules, in turn, must be approved hy three direcetors.

The advertising commentere, which consists of the advertising manager, ome loritorial sales manager, the chief salos eorrepondent, and the assistant manager in charge of dealers' and consumers' sorvice work, originates advortising plans, and passes on the recommendations of merehandioe mamagers as to advertising.

The sales committce is an mofficial body consisting of the tergitorial sales managers, the advertising manager, the president, and the director of finances and manufacturing. which outlines the major policies of selling to be pased upon by the board of directors.
supervision of the sale force and the total sales, as contrasted with sales by departments, rests with the director of selling personnel, who has two assistants or territorial sales managers aiding him. The director also acts as a territorial sales manager. I list of the functions of the territorial sales managers follows:

Management of district managers and salesmen.
Juriseliction of total sales fales by departmental lines to be aceomnted for ber merchandise managers).
Passing upon questions of policy affecting relations with customers. (New policies or interpretation of difficult rases rest with a committee of (lirectors).

Direction of sales correspondence as recommended by subcommittees on sales correspondence.
Promotion of new methods of selling.

## Question

Would it be advisable to change the status of the committees so that instead of being merely advisory, their decisions should be mandatory"?

Problem 19
Committee Type of Orginization
The Rand Soap Company, of Philadelphia, produces soap products and distributes these nationally under well-known brands. Prior to January, 1920, the sales organization was as follows:

A vice-president in charge of sales had full authority over all sales work. Under him were the following assistants: (1) the assistant sales manager in charge of personnel, under whom were branch managers, (2) the export sales manager, (3) sales-promotion manager, who handled dealer helps and secured new dealers (4) two merchandise managers whose duty it was to stimulate the sales of different products put under their jurisdiction, (5) the statistician. Branch managers located in seven cities in the United states were given control of the salesmen. The sales department had no well-worked-out plan of cooperating with the production department to secure coordination of sales and production. Further, it was the opinion of the vice-president in charge of sales that there was a lack of cooperation between the various members of the sales staff. After a study of sales organizations he came to the
conclusion that the committee system would help to solve the difliculties which the company was experiencing. Ite recommended to the Board of Directors that such a system be adopted, and presented the following phans used by other manufacturers as being adaptable to the Rand organization:
(1) The Miller C'ompany, lecated in Bridgeport, Connecticut, manufactures a large line of machine tools, pipe tools, and small tools hasd in wool and metal working trades. Their sales organzation is of the committee type, the direction of salos being divided bet ween three sale managers, each one is charge of a particular line of products, and the sales promotion manager. These four managers act as a committer in the management of district sales managers, and through them the salesmen, while the general superintendent of production, the merchandise manager, the export sates manager ant the sales-promotion manager make up what is called the "plaming board," the members of which are under the control of the vice-president and general manager, who is chairman of the plaming board. The duty of this planning board is to bring about cooperation and coordination in the activities of the varions members of the organization. The sales-promotion manager has charge of the printing, advertising, dealers' service, and research. The merchandise manager has charge of orders, clams, service, stocks, bills and stenographers. The duties of the other managers are indicated by their titles.
(2) The Moody Company manufactures office appliances and divides the country into seven districts. The product of the company is such that there are no repeat sales. In addlition to other duties the chief sales executives are given titles of regional directors, the sales manager taking one district, the secretary of the company another, the advertising manager the third, the sales-promotion manager the fourth, etc. In order to develop close personal contact, these regional directors take frecuent trips into the districts, meet the salsmen personally, disenss problems with them, and get acquainted with general conditions in the territory. Every six monthe districts are shifted so that in the course of three yeas and a half the sales executives have for a period intimate contact with persomel and problems of each sales district. In thrn, the sales executives meet in committee to discuse the saler problems arising in the different districts. The regional directors, although outranking the general sales manager in their general anthority, in no case exercise this authority except to work their divisional sales managers.

The board of directors undertook a discussion of the limitations of the two plans as outlined above by the vice-president in charge of sales.

## Questions

1. What plan, with modifications, would have been best suited to the Rand Company?
2. What changes should be suggested?

## Problem 13

Decentralization of Sales Organization
The Hempstead Company manufactures loose-leaf devices and filing equipment. The sales force operates under the direct supervision of district managers with sales offices in 60 cities. Four factories are operated: one in Springfield, Massachusetts; the second in Grand Rapids, Michigan, the location of the first factory and present location of executive offices; the third in St. Louis, Missouri ; and the fourth in San Francisco, California. These serve their surrounding territories, division being made on state lines. The company is considering the decentralization of its sales organization along similar territorial lines, each division to be placed in charge of a division manager. It is hoped that this will bring about more intensive cultivation of territory, which will in turn require an enlarged sales force. It is proposed, also, to add a rescarch and development department, the province of which will be to seek out new and unconsidered lines of business, determine their needs and the ways wherein the company's equipment can be made to serve them with the highest degree of efficiency.

## Questions

1．What action would you take with reference to the new division of territories and the addition of territorial managers＂？

2．Would it be advisable to establish executive offices in Chicago or New York or at some other point？

## Problem 14

## Departmentalization of Sales Organization

The Marion Rubber Company，of Akron，Ohio， manufactures a complete line of rubber footwear， including temnis and other styles of rubber－soled shoes， rubber boots，rubbers，and rubber overshoes；also a line of tires which have been widely advertised and distributed；thirdly，a line of rubber sundries－hot－ water bottles，jce－bags，etc．，sold usually by druggists．

It has been customary for the company to have three groups of salesmen：one selling tires，another selling the footwear trade，a third selling rubber sundries．This plan was adopted because it was thought that the single salesman could not handle satisfactorily lines sold to various classes of trade．

The general manager asserts that the lines are not so technical that special men are required for each，and that given a man with sales ability it would be possible for him to handle satisfactorily the three classes of trade．The sales managers for these three lines dis－ agree，citing the instances of firms both in their own line and in other lines in which men are employed to specialize on particular products．

## Questions

1．State briefly the case for each view．
2．If the general manager＇s view prevails，what steps should be taken to reorganize the selling force？

## Problem 15

Sales Departmentalization
(a) Wells \& Company, a firm of textile sales agents, dispose of a product of a group of four large manufacturers. Their product consists of the following: wash goods, serges and flannels, percales, cambrics, galateas and flannels; muslins, voiles, etc.; etamines, cretonnes, satins, taffetas, etc.; shirtings, percales and madras; twills, drills and ducks; corduroys; black and white fancies; fustians and moleskins; khakis and uniform cloths; velveteens and plushes; blankets and robes; men's, ladies' and children's hosiery.

## Questions

1. On what basis should the selling house departmentalize its business, if at all?
2. Should specialty salesmen be used for particular lines?
3. If so, what line should be grouped for individual salesmen?
(b) An association of wholesale grocers in financing an investigation, the purpose of which is said to be to produce a better understanding of the basic principles of wholesaling, to dispel uncertainty in the business and to eliminate losses. It is suggested that the organization work out a plan or system of uniform operation to be adopted by all wholesalers and to be of a character to give the trade the system it absolutely must have in order to be successful. The need of departmentalization in a wholesale business along standard lines is pointed out, so that the wholesaler will not only know what his business in the aggregate is, but what the various departments and items making up all of
the stock are producing for him. The common standardization of departments in the trade would make it possible for the wholesaler to give his salesmen definite instructions as to the actual cost of merchandising, which in the end would result in better service to the retailer and consumer.

## Questions

1. What should be the basis for departmentalization for wholesale grocers".
2. How should this basis for departmentalization be determined so as to fit large concerns, as well as small local jobbers".

## Problea 16

Product sales Manager*
The Pure Food Mills produce a.group of patent, widely advertised cereals. The company has recently reorganized its sales organization to provide for geographical division of the country under a definite number of division sales managers, with several product sales managers who are held responsible for volume in their particular departments. These product sales managers have no voice in the hiring, firing or control of salesmen. Their job is to work out special sales plans for their product, to coach the salesmen when required regarding the sale of their product and to make sure that every posible arenue of distribution is being utilized by the various division managers. They rank on a par with the division managers, and like the division managers are under the direct control of the vice-president in charge of sales.

[^2]
## Questions

1. What are the advantages and disadrantages of such an organization?
2. Would the plan be applicable to a large wholesale dry-goods concern handling piece goods, women's ready-to-wear, knit underwear and hosiery, and drygoods notions"

## Problem 17

## Sales Organization-Financial Limitations

The Smith Graphite Company manufactures graphite electrodes used in electric furnaces and electrolytic work, graphite powder used in the manufacture of electrodes as battery filler, in paint pigments, and, when mixed with grease, as a lubricant.

The market for electrodes is confined to the limited number of electric furnaces. The graphite market is also limited, and one-fourth of the total production of these products is marketed in foreign countries. For the electrodes and powder there is a regular sales organization; but, since the market has in the past been so definite and limited, the sales force has been very small. The electrodes sales force divides the United States into four districts, one man covering each. The salesmen are technically trained men, who spend about one-third of their time on the road selling, educating, and giving actual and potential customers advice on electric furnace installation and operation.

The number of electric furnaces is comparatively small. All electric furnace operators are known and are canvassed by mail and in person. The greatest difficulty in increasing the sales of graphite electrodes
is that the mumber of electric furnaces is very limited， and it is diflicult to accomplish the preliminary sale of the electric furnace idea．Of the total sales of about $87,500,000$ per ammum，the electrodes and graphite total about $86,120,000$ ，the sales of the lubricant about S380，000．Since the lubricant is of superior type and can be utilized very suceessfully for automobiles and all mechanical devices，the company feels that there is a very great field for expansion of this product．In－ （reased production offers no difficulty，and there is suflicient working capital so that with the present small production， 8150,000 or $\$ 200,000$ could be used if necessary for developing distribution of the product．

## Questions

1．What sort of organization would be advisable？
2．What would be possible under the financial cir－ （cumstances＂．

3．Could the existing organization be modified or expanded to take care of this active sale of the new product？

## Problem 18

Sales Orfinization－Fininchal Limitations
Mr．King has obtained possession of a recipe for a prepared pastry flour，samples of which have passed very satisfactory tests when submitted to cooking schools，housewives，and chemists．

He finds that this can be manufactured for him at a cost of 6 cents per pound in bulk，to which must be added，of course，the cost of the package，if he desired to market it as a specialty．

To secure the packages ceonomically，it is advisable to purchase them in lots of 25,000 ，involving the outlay
of about $\$ 2,000$ for these and packaging machine. Settlement with the milling company must be made every 15 days.

Mr. King proposes to form a corporation with a capitalization of $\$ 10,000$, of which $\$ 5,000$ will be paid in cash.

## Questions

1. What advice would be given to Mr. King regarding his sales organization?
2. What volume of sales can be handled?

## Problem 19

Manufacturer to Retaller Sales Organization
The Cummings Company, located in Dayton, Ohio, manufactures a line of electric accessories for automobiles and a line of specialties for Ford cars, which are sold throughout the United States by accessory and hardware jobbers. Ten salesmen are employed to reach the jobbers. The jobbers demand a discount of $45 \%$ from the list price; in turn, they grant a discount of $25 \%$ to retail accessory dealers.

Officials of the Cummings Company have come to the conclusion that the jobbers are not taking a satisfactory amount of interest in the Cummings line and that they are not pushing their sales as is desired. They recognize that the jobber handling hundreds and even thousands of articles can not or will not ordinarily single out any particular line for more than occasional emphasis. However, complaints have frequently come from retailers that the jobbers, who are assumed to be handling a complete line of Cummings accessories, are unable to supply the demands of
retailers and attempt to substitute ancessories made by other companies.

In conferences among the officiats of the company, two suggestions for action hate been brought up: first, that of engaging in an extensive advertising campaign to consumers with a view of compelling jobbers to keep sufficient stocks; second, a reorganization of the sales foree to sell direed to retailers. Statisties published be the National Lutomobile ( 'hamber of Commere estimate the momber of automobile supply dealers of all clasees at 47,416 , the number in a state varying from ower 4,000 in Pemsybania to 70 in Nevada. There are 16 states in each of which there are located over 1.000 supply dealers, 11 states with 500 to 1,000 dealers, the remaining having less than 500 . It is estimated that the ammal cost of an advertising compaign of necessary size would be approximately $\$ 100,000$.

## Questions

1. Is there any way of estimating the financial advantage or burden comected with the second plan of direct distribution to dealers:?
2. Which plan is to be preferred?"
3. Is there any other solution?

## Problem Q $^{0}$

Organizathen for sales to Mantfacturers
The Hunter Tamning Machine (ompany produces a line of machinery used for taming and for beltmaking. Its patents are important, and its product is in demand wherever tanning or belt-making establishments are found. At the present time, the machinery is sold through a manufacturers' agent located
in New York, while the foreign sales are handled through export houses. The home organization is, therefore, very small.

The board of directors have come to the conclusion that the present sales arrangements are not satisfactory, that the company is not getting the benefit of any degree of control of the consumer market; in fact, that it is out of touch with its customers and is at the mercy, in a sense, of its agents.

The board of directors has, therefore, decided that a sales organization must be established for the company; but, before definitely committing itself, wishes a plan to be submitted from which they can obtain an idea as to the probable expense of establishing such an organization and the results to be obtained thereby.

## Question

Under the circumstances, what type of sales organization would you suggest?

Problem 21
Siles Organization Biscuit Minefacterer
Manufacturers of erackers and biscuits, such as the National Biscuit Company, Loose-Wiles, and others, have found it good policy to have salesmen call upon city trade at least every two weeks and town and country trade at intervals of three weeks. The larger concerns centralize both production and sales forces according to the territory served by each factory. The buyers are retail groceries of all sizes, ranging from the extremely small unit store to the largest chain store organization.

Local interests in Omaha, Nehraska, are establishing an independent factory for the manufacture of crackers and biscuits. The board of directors, in selecting the sales manager, have asked the candidate to present an outline of the organization necessary showing the number of salesmen and the probable weekly payroll for the sales organization, so that the management may determine the amount to be set aside for working capital on aceount of sales operations. In production costs, it is expected that the new plant will be on a par with manufacturers of St. Louis, Chicago, and other competing cities. It is planned to cover thoroughly the city of Omaha and surrounding territory within a ratius of one hundred miles. It is recognized that in its own territory the independent plant will meet the competition of representatives of two large consolidations and also the competition of large manufacturing jobbers located in Chicago and St. Louis who, through traveling salesmen, reach all the more important grocers in that neighborhood at least every three or four weeks.

## Question

How should the sales manager prepare the statement requested?

## Problem ${ }^{2}$

Shaping tie Organization to Provide for Expansion
The Crane Automobile Company has been organized to place a high-grade automobile on the market. Sales headquarters and plant are to be located at Indianapolis. The president is particularly interested in the production end and has assumed the position of works manager. The output as planned will be
approximately 3,000 cars the first year and 6,000 cars the second. Various bodies are to be offered, the touring body selling at about $\$ 4,000$. It is planned to give a discount of 30 , to dealers. With this volume of production and the expected increase in capacity, the directors are convinced that the distribution must be national and that a corresponding organization must be built up. They can without difficulty set aside $\$ 300,000$ for handling distribution. More can be secured if necessary, but at a sacrifice which the directors are not willing to make unless compelled to do so.

It is expected that the first cars will be ready for shipment during the second half of February and that the sales department should be able to dispose of cars as fast as produced, at least until the first of September, at which time the capital available for the handling of sales will have been increased. According to the trade custom it is expected that cars will be sold on sight-draft, bill-of-lading terms.

## Questions

1. How should the sales manager estimate the amount of capital required to attain national distribution within the time limit?
2. Submit a proposal as to the type of organization advisable and possible under the financial circumstances.

## Problam 品


The Wyman (ompany, a wholesale dry-goods concern located in Minneapolis, carries a general line of dry-goods, induding piere goods, women's ready-towear, underwear, notions, and some men's furnishings. Its market is limited by the competition of Chicago houses on the cast and south and by transportation costs on the west.

In the experience of the company, it has seemed that Ammesota, Iow: Nebraskis, North and South Dakota, Montana and Wisconsin constitute the logical territory. The concern hat recently changed hands. The new sales manager, in analyzing his problems, is attempting to formulate a plan for an ideal organization. sales next year will probably be around $\$ 7,500,000$. It is assmed that the good saleman can sell about S 80,000 a year. In addition, the new company plans to strese mail-order sales on the basis of a comprehensive catalog iswed twice a year. Salesmen visit customers on the arerage of four times each year.

## Questions

1. What organization would be necessary to handle this volume of business:?
2. What other obtainable facts would be helpful in determining an organization?

Problem 94<br>Adjusting Sales Organization to Increase of Productive Capacity

The Fernald Motor Car Company, of Milwaukee, manufactures motor ears of the passenger type. It has no direct factory branches, but sells through distributors appointed to act as jobbers and agreeing to take at least 50 car's a year. Subject to the approval of the manufacturers, these distributors appoint local dealers in their respective territories, for whose credit they assume responsibility. The cars are shipped direct, either to dealers or distributors, from the factory. When contemplated additions to the factory are completed, the annual output of the factory will be around 12,000 cars, amounting to approximately $\$ 30,000,000$.

The sales department is headed by a general sales manager under whom are four territorial sales mana-gers-Canadian, southern, southwestern, and north-western-whose duty is to keep eonstantly in touch with dealers and distributors in these territories in a supervisory capacity.

Advertising work, carried on under the direction of the advertising manager, includes the preparation of all advertising eopy and sales literature. A subdepartment of the advertising department, the promotion department, produces monthly the house organ circulated among owners, distributors, and dealers. Export sales are handled as a separate department by an export house in New York, which also takes charge of all export advertising done in foreign publications. There are really no definite sales districts in the strict sense of the word. While the advertising department is conducted as a separate department, it comes under the supervision of the general sales manager. The credit department is entirely separate from the sales department. Sales conferences are held when deemed necessary and not at any stated intervals.

## (buestion

since the contemplated production involves a $50 \%$ increase over provions production, will changes have to be made in the sales orgatization?

## Problem 85

## Shles Organization for Contract Sales

(a) The sweets Company of America manufactures a small line of candy specialties put up in 5 -cent packages. Aecording to published reports, the directors appear to have definitely adopted the policy of concentrating selling efforts upon large distributing agencies. Within a short period of time, arrangements have been made to distribute the entire production of the plant through chain stores encircling the country.

Among the contracts of the company are those with the Union News Company, the United Cigar Stores Company, the schulte Company, the Great Atlantic and Pacific 'Tea Company, and the Liggett stores. The sales of the company amounted to over $\$ 2,000,000$ in 1919.

Question
What sales organization is necessary"
(b) A southern chemist, after four years of experimenting, has succeeded in making news print paper from native Florida saw-grass. A company is being formed under the name of the Modern Pulp and Paper Corporation, and the promoters are planning to establish the initial saw-grass pulp mill in Florida within a few months. It is also planned to build altogether 10 mills in various parts of the state. There are millions of acres in Florida, and it is reported that the company has enough material under its control to run many mills in addition to the 10 contemplated.

Due to differences of many leading newspapers with the chief manufacturers of news print paper in the United States during the war period, it is expected that there will be no unusual difficulty in breaking into the news print market and of securing contracts with a sufficient number of newspapers to take the entire output.

## Question

Make out a plan for a sales organization for the company, assuming that it is able to manufacture about 200 tons per day during the first year.

## Problem 26

Sales Organization-Type of Customer
Among sales organizations, one will occasionally find examples of sales departmentalization not according to production or territory, but according to the type of customer to whom goods are to be sold. The Chase Company, a firm of wholesale grocers which maintains one wholesale establishment and three retail stores in Chicago, has a general sales manager under whom are the following sales managers: (1) sales manager of the wholesale consumer department;
(2) sales mamager of the retail department; (3) sales manature of dealer stomes.

A large printing establishment, which makes a specialty of printing books, has two sales managers, one called sales manamer and the other sperialty sales manager. 'lhe specialty sales manager handles all sales relations with a small number of big customers, usually publishing houses. He advises them on the sot-up of books and endeavors to get as much of their business ats posibhle. The sales manager has charge of all other sales and has under him the several salesuen who approach publishing houses and individuals who have books to be printed.

## Questions

1. What justification is there for departmentalization upon the basis of type of buyer?
2. Under what conditions is such departmentalization adrisable?

## Problem 27

Functions of the sides Manager
The Bureau of Foreign and Domestic Commerce, *in its report upon the men's clothing industry, makes the following statement:

The sereral methorls of distributing men's factory-made clothing are as follows: by selling direct to the retail trade, by 'tailoring to the trade', by mail order, or by selilng to joblers. The bulk of men's factory-made clothing is sold direct to rotail stores. In order to reach this trade, the manufacturer emplose traveling satesmen who cover a defined tormitory and call persomally on the retailers.

[^3]Practically all men's ready-made clothing is made to fill orders and little, particularly in the higher-priced lines, is made for stock.

The manufacturer has new designs perfected well in advance of the opening of the season. Sample garments are made up for each traveling salesman, and in addition 'swatches', or samples, of various styles of eloth, are carried. The salesman submits these samples to the retailers in his territory and takes orders for future delivery, these orders being sent to the factory and there made up aceording to specifieations. Orders are recorded three to six months before delivery.

There has been a growing tembency in recent years for manufacturers to do 'tailoring to the trade'. This branch of the industry is making strides, and certain conecrus confine themselves entirely to this line of business. Others use it as a 'side line', in addition to dealing with retailers in ready-made clothing. The initial expense is very large, since it requires the making up of an entire line of samples bound in book form, and in addition very frequently madeup models are furnished. It is said, however, that the returns justify the expense, since ventures in this line have proved very profitable. 'Tailoring to the trade' is handled for the manufacturer by merchant tailors or, in the smaller towns and villages, by retail stores. The eustomer seleets the style of cloth he desires from the book of samples, his measure is taken, and the order sent to the factory. The garment is made up and sent for a try-on, and if necessary, is retmmed to the factory for proper alterations.

Mail-order houses sell entirely through catalogs or by advertising. Both ready-made clothing and made-to-order garments are sold in this way. Some mail-order houses have their own factories, while others buy from the regular manufacturers. It is also said that mail-order houses buy up the left-over goods and odds and ends that the manufacturer is unable to sell to the retail trade. The greater part of the clothing sold by mail-order homses is disposed of in small towns or in rural districts.

Mail-order houses that make clothing to individual order secure their trade principally through arlvertising. Cloth samples are sent to the customer, from which he makes his selection; he has his measure taken and sends the order to the mail-order house, where the garment is made up. This branch of the mail-order business is similar to 'tailoring to the trade'.

There is very little field for the jobber now in handling men's factory-made elothing. Changed comlitions in the
industry have ramied almost the entire dimination of the jobber as a medimm of distribution. The mamafacturers have prefered to deal diferelly with their colstomers and desire to establish a restom which is their own and upon which they ean rely. The little businest that is now done with jobbers is the chestpest only, and in jol, lote and leftover stork.

The statement has been made that, in the clothing industry in the past, fery little study has been aceorded to the mamgement of sales; in fact, it is stated in 19月5 that it was the last of all big businesses to recognize the neressity for scientifie management.
buery concern needs a salde manager who can:
(1) Prepare a comprehensive analysis of the entire sales;
(2) 'Pell which salesmen are most profitable;
(3) Soe that each salesman seromes the volume of business the line is entitled te in the territory asigned him;
(4) Compane the variations in cancelations and eredit loses as to territories and stury divergencies;
(5) Compare the expenese of men in different districts and analyze reatons for variations:
(6) Pwent werlapping of saldemen and roncentrate territory, since the question of personal acouaintanceship is not so important a factor in selling as formerly;
(7) Find amployment for the men during the seven or dight monthes of the year they are not traveling;
(8) supply saldemen with terhmical knowledge as to the goods.*
(buestion
Would this description constitute a list of functions of the sates managers of clothing concerns of the types (lescribed".

Problem ges

## Qualfications of shab Executives

Mr. (Gowin, in his book, The Selection and Trainin! of the Business Executive," states that on the basis of an investigation carried on among 276 firms, the following are the chicf requisites of the executive:
(Edueation and experience as such omitted)

| Order determined by arerage ramk | $\text { Quality } \quad \text { Averay }$ | Average rank assigned |
| :---: | :---: | :---: |
| 1 | JIDGMENT <br> (Retsoning ability. arearacy in conclusions, ability to profit by experience.) | $\begin{aligned} & 3.21 \\ & \text { acy in } \\ & \text { ofit by } \end{aligned}$ |
| 2 | Initiative <br> (Alertness, imagination, originality, independence in thinkimg.) | $\begin{aligned} & 4.30 \\ & \text { inginal- } \\ & \text { ing. } \end{aligned}$ |
| 3 | Integrity <br> (Truthfulucsis, honesty. sincerity.) | $(\text { (erity.) }$ |
| 4 | () RGanizing: Abhlaty <br> (Systematizing, dassifying acrording to functions, plamning and lelequting.) | $\begin{gathered} \\ \\ \text { ng ac- } \\ \text { imning } \end{gathered}$ |
| 5 | Healthi <br> (Bodily vigor, good sight, hearing, ct (e., includerl.) | $\text { hear- }{ }^{5.98}$ |
| 6 | Perseverance <br> (Industry, ambition, concontrition.) | ${ }^{6.40}$ |
| 7 | AgGresilventas <br> (Encrgy, comage, domination by will.) | ion by |
| 8 | ()penmindelonets <br> (Reasomableness, teachableness. opemmess 10 new itleas.) | $\text { , } 7.09$ |
| 9 | ('ooperatileness (Unselfishmess, kindiness, cheorfulness, tact, loyalty.) | $\text { cherer- }{ }^{7.97}$ |


| Order determined by arerage rank | $\text { (enality } \quad \begin{gathered} \text { Average rank } \\ \text { assigned } \end{gathered}$ |
| :---: | :---: |
| 10 | ('ompermenems 9.60 <br> (hatment in phaying the business g:11me.) |
| 11 |  |
| 12 |  |
| 13 | APPGRANEE <br> (Well-groomed appearance, good (arriade, pleasing faciab expression, boice, otc.) |
| 14 | Smamembumor $\quad 12.26$ |
| Questions |  |
| 1. To what extent do these apply to the sales manager". |  |
| 2. Do the qualifications required in a sales manager vary with the type of product to be sold? |  |
| cessfully sold concrete buildings unfit him to direct the sales organization of a grocery specialts? |  |
| 4. It is frequently said that mosit men do not |  |
| what extent does that fact hear upon the division of functions of plaming and performance within a sales organization". |  |

Problem 99
Sales Manager in Wiolesale Coneern
In comparatively few wholesale establishments or larger retail stores are sales managers employed. Sales of the various departments are ordinarily in charge of buyers; that is, the buyer is the head of the department, having charge not only of buying, but also of selling. There are notable exceptions to the general rule and one of these, a large wholesale grocer in Chicago, is said to have demonstrated beyond question the advisability of having a sales manager by the way in which he was able to meet the situation created by the falling market of 1920-21. Likewise, the few retail stores which have added officials whose view-point was primarily that of selling are said to have been able to weather the adjustment period more successfully than those in charge of buyers. It is estimated, however, that, out of over 4,000 wholesale grocers, less than $10 \%$ have a man holding the position of sales manager.

The Lawson Company, located in C'olumbus, Ohio, operates a wholesale grocery concern in the territory naturally tributary to Columbus. Its field is limited on the north by Cleveland and on the south by Cincinnati. It employs ten salesmen, who call upon the trade at least every two weeks. During the period of adjustment, the president feels that sales have not been what should be expected even under the conditions prevailing. Furthermore, large losses were taken on inventory when the books were elosed in December, 1920. The president has consulted with several men experienced in sales management, who advised him that the creation of the position of sales manager and the change in organization to take control of sales from the hands of buyers would benefit the company.

## Question

Write a letter to the president, embodying the arguments for a sales manager and meeting the objections which will be brought up.

 and toilet soaps and pereial preparations, speredizing upon a comparatively fow porlacts: one a soap flake for washing fine fabrios, anothore a quatity latundry soap, the third product a dye sotp. 'These, with two or three other prodtacte all of which have been widely advertised, make up the entire line.

Ep to lale the antibe output was sold through manufarturers agents in New Vork, who had charge of the advertising and who had beren sucerssful in creating a nation-wide market for at least one of the products. These agents also marketed a rertain highly advertised milk chooolate and a widely known witch hazel preparation and a momber of other articles of diverse character. 'The mamufacturers' agents bought these soap products, mantaned their own sales organization and took care of the adbertising, hat orders secured were turned over to the factory located in Boston, and shipments were mate direct to buyers.

In July, 1919, the general manager of the Daly Company was appraised of the vote of the board of directors that the contract with the manufacturers' agents, which expired hy limitation on October 1 , 1919, was not to be renewed: further, that the Daty Company was to establish itsown selling organization, to begin operations October 1, 1919. The company sells through johbers, but the sales force must be large enough to call on retailers once a month, as well as call upon jobbers.
(a) The general manager is asked to make recommendations for position of sales manager. There is no logical candidate now in the organization.

## Question

How should the general manager go about finding a sales manager".
(b) The sales manager was asked, before entering upon the task of creating a new sales organization, to submit a plan of the work required. The newly appointed sales manager fomd that no information, except a list of customers and credit ratings, could be secured from the selling agents. These lists revealed the fact that the soap is sold over the entire United States and that distribution of one of the products is practically 70 per cent.

## Question

What steps should the sales manager have taken in order to create this organization?

Problem 31
Duties and Authority of Sales Managers, Branch Managers and Salesmen

The chart on page 72 is a chart of the organization of a large manufacturer of clocks and watches.

## Question

Prepare a section of the organization manual covering the duties of the marketing manager and relation to the rest of the sales organization, the duties of the branch office sales manager, and the duties of salesmen.


Problem 32
Organization for Supervision of Salesmen
The sales manager of the Chapman Company, manufacturing an advertised, trade-marked clothing specialty which it distributes to retailers throughout the territory east of the Mississippi and north of the Ohio (including New England), has discovered a weakness in its sales organization in that the number of accounts actually sold has grown smaller during the past year. The decline in sales is attributed more to the business depression than to loss of customers, but the sales manager considers the decline in number of customers a danger signal.

The sales manager finds that there is no organized means of getting new accounts or of reselling accounts which have stopped buying. So long as sales volume increases, salesmen are satisfied with their incomes and evade the somewhat unpleasant duty of settling differences or of reselling those customers who have ceased active buying. Furthermore, the selling of new
accounts is much more difficult than the taking of repeat orders. During the war, when the problem was one of keeping orders down within production limits rather than selling, it was not expected that prospects for new accounts would be actively worked. The sales organization has failed to discover that the different conditions of 1921 demand active work among prospects to increase the number of accounts. At the present time, salesmen report directly to the central sales office in Newark, New Jersey.

The assistant sales manager proposes that a change be made on the basis of compensation, so as to recognize the opening up of new accounts. The sales manager is in favor of appointing four supervisors of salesmen: one for eastern territory outside the home office territory, one for the Middle West, a third with headquarters in St. Louis, and a fourth with headquarters in Atlanta. It will be possible in these locations for the sales supervisor to work with salesmen, the number in each group varying from eight to twelve.

## Question

Assuming that competent supervisors can be secured, what advantages are there in this plan over change in basis of payment to recognize new accounts?

## Problem 33

Qualifications of Salesmen*
Several years ago the Sales Managers' Bureau of the St. Louis Chamber of Commerce made up a questionnaire asking the 12 essential qualifications of a salesman. These questionnaires were distributed

[^4]among the flio salde matager who were members of the association at that time. The result of this questiomatire was the eomplatation of a "Compendium of the Twelse Lexemial (emalifications of a sateman." This compentimm was the stambart alopted by the St. Lonis sales dieertors acto the compenent attributes of a salesmam.

| (GOOD ( IITRICTER: | Roputalion, Ilabits. Jutergrity, Selfmontrol. Reliability, Truthfulness, Ilonexy, Fiamers, Layalty, Sinrerity, Sobrimy. Deremery. |
| :---: | :---: |
| Persagnility | Individuality, Adhess, Appearance, ('lamliness, Mamers, Vaice. |
| Healtil : | Vitality, ( ommet Mabits of Life. |
| Mentality: | Vducation, Opemmindedness, Common riense, ('nderstanding, Native Intelligencer, Native Ability. |
| CONCENTRATION: | Application, Tenacity, Patience, Perseremare, Stuknt, Self-Analysis. |
| Inderatiz: | Energy, ('apacity for Work, Enthusasm, Optimism, Ambition. |
| Self-Confldexte: | Commage, Preparedness, Conviction of ('ompetence. |
| Punctuality: | Promptness in All Dealings with C'ustomer and Honse. Readiness of Derision and Action. Brevity, Diperthers. |
| Tart: | Intuition, Sympathetic ('omprehension. |
| l Nithative: <br> Resoctrefthenes: | Jower of ()rigination. Visualization. Aleplness. obervation, Imagination. |
| KNowledege of Goons: | To Include Knowledge of Business Methods and Policy of House, as well as of Competitors. |

## Question

Using this list as a basis, prepare a rating scale which might be used as all aid to a sales executive in selecting salesmen.

## Problem :3t


(a) The Vastman shoo ( (omptany for many yeats has sold an extensively adrortised lime of Women's shoes throughout the Thited States. Rerontly, at the refuest of eustomers, the eompmor put in a line of girls' shoes. The problem now faeres the management whether it should use a difforent sales foree to sell the new line: at the present time it is handed by the regular sales force. There are momerons objeretions to placing these shoes with regular salownen:
(1) The dhidren's shom husimes is different in many respects from that of athlts.

Styles are different.
It is the temdency of retailers to buy children's shoes more oftern than women's shoes.

The total avalable solume of hasinese from chitdren's shoes is murh lese than the available volume of business from arlults.
(2) It tends to complieate the ahready diflecult line of this company. The Eastman (ompany saleman sells one of the most complicated of all lines of women's shoes. While. there are many different stere and grades of women's shoes, most manufactorers make only ome of fwo grates of the various styles. The Eastman brame shoes ewe made in six grades.
(3) The present sale foree is mot in a position to give all the study and attention it should to the eompetition in girls' shoes and to the methods of presentation in sellinge.
(4) A goof salesman can call with the regular line of women's shoes and place an onder with an exdasive agent for an amount which represente all that man will then feed able to give at the time. If a saterman called subereuently with girls' shoes, he womld prohathy have a better opportunity to get a resperetable order, beeathe the abstomer would not be so much burdened by the thomght of the large order for women's shoes which he had placerl.

The girls shoes wse the same brathd mames as the women's shoes.

## Question

What should be the deceision".
(b) A similar problem is presented by another line. since 1910 the Eastman shoo Company has manufactured a corrective shoe similar to the Ground Cripper shoe. For a number of years the regular sales force carried this shoe, but without marked success. Finally, one salesman was employed to visit large cities with this one type of shoe. He has been very successful in building up a business, and the eompany is now plaming to give him assistants to cover smaller towns. The shoe calls for an entirely different method of presentation by the salesmen and for specialized knowledge. The regular salemen, with their already complicated lines, have not been successful in correctly presenting it.

## Question

Should specialty salesmen be hired to cover the country?

## Problem 35

## Junior Galesmen

The Hayward Manufacturing Company, located in Rochester, New York, manufactures a patent cereal which is sold through jobbers. A large sales organization is maintained to solicit orders from retail grocers. The orders received are turned over to jobbers specified. In the early part of 1921, Mr. Richard Humphrey, sales manager, was confronted with the problem of increasing sales. The use of junior salemen was suggested as one means of aecomplishing this.

Mr. Humphrey found that the Peter's Company, manufacturers of office devices, had adopted the plan of using junior salemen as assistants to their regular or senior salesmen and that the plan had worked successfully. This company selected its jumiors from the ranks of applicants for salesmen, and a period of experience as junior salesmen under the direction of
the senior men was looked upon as a continuation of the training given before they started as juniors. While expenses of all salesmen were paid by the company, several different plans were used for the payment of juniors. Commonly they were paid a fixed salary out of the commissions earned in the particular territory, by the seniors under whom they worked. So long as his work was sufficiently effective to increase the earnings of a senior beyond the amount paid, the senior would be satisfied. It was customary for this particular company to pay the applicants a salary during the period of the training school (a month or six weeks) and to guarantee to pay the salary of a junior for the first 60 days after getting out into the field. After that, the senior salesman took care of it.

Mr. Humphrey also learned that the J. B. Drew Company of New York City, which was engaged in wholesaling a broad line of dry-goods with a national distribution, also employed junior salesmen. The senior salesmen of this company were on a straight commission basis with a definitely defined territory. Each salesman was permitted to hire an assistant or junior who was responsible to him, though the company exercised a control over junior salesmen by requiring a weekly report. Compensation of juniors rested entirely with the senior salesmen.

## Question

Should Mr. Humphrey have adopted the use of junior salesmen?

## 


Jons . In Was

Too facilitate prompt and efficient placement of specialists and skilled men in any duties where each man's knowledge and ability would be immediately most effective a mamat of trade specifieations was prepared be military oflicers and various civilian assistants defining carefully the daties of specialists and skilled tradesmen reguired by the amy in its sarions technical banches. Each definition included, first, the duties to be performed; serond, the qualifications of a well-tramed, high-grade man who could do this work; and third. the nearest equivalent for substitute oecompations to be drawn upon as a source of supply if neressary. The sperifications described the ideal man from the army standpoint. It is not expected that all the gualifications named will be found in each man. Following are several examples of specifications:*

Fignem, (ommercha, Themicab.

## 1)utic:

1. Organizing, simblifyine and standardizing rommereial, industrial or alministrative work.

Qualific:atoms
$\because$. What be a thorotgh enginere hy training and habit of thought, familiar with commoreial problems and able to apply (rnginwering methous to their solation.
Mas! hate had experience analyzing business conditions and in the perfertion of methorls switems or orgathzations
 "amine, sumly and zolve melastrial anterprises for the purpose of simplificalion or improvement in processes of administration.
should be ablde lo lay wne dired and analve clemidal labor and shombl be thoromghty familiar with the fundamentals of orqumizations.
should be fully posted on varions ammanereial mechanical levieres.

 exerotiva.

('ivil Engineer

## Duties

1. Plaming, designing and supervising all clatses of general construction operations.

## Qualifications

2. Must be a technical graduate with a broad, practical experience in the various hamehes of civil enginerering.
Must be thoroughly familiar with the mathematical and mechanical primetips and mginecting feature of designs, construction or operation in comeretion with hamd surveying, structural, bridge or building work of any kind, highway construction, hydraulie developments, manicipal engineering in eomection with watem-works, drainage and sewerage, railroad surver and ronstruchion, harlor and canals and dams construction, such as whars, piers, exeavation and drodging.
Must be thoronghly familiar with the use of all types and classes of construction machinery nsed in civil angineering developments, such as "ranes, hoists, derricks, showeds, hydraulic dredges, pumpe, excatators, conerote mixers and dist ributars.
Must be thoronghly familiar with all materials used in construetion work and rapable of preparing sperifications and contracts for materials on equipments of any lime involved in such masses of work.

Substitute Oerapations
3. Hydranlice enginere, municipal cngineer, struet ural angineer, highway engineer, arehitectural enginees, merhanical engineer, surverer.


## Duties

1. Installing and maintaining an elficiont and adequater system of cost reenerls in comenetion with mandfatheng of any kind.

Qualifications
 the details and aceurately recording varms (1) wations of manufat turing costs.
Must be capable of preparing minted forms of varions kinds to record all items entering intomandant ming eost, sum an operation cards or tickets, work and inspection cards showing items of material, scrap, labor, and werhad or burden, ath forms showing total acemmulated ensts.
Must be capable of supervising all clerical belp in compiling, romputing, transfering and filing in commetion with all records, cards or tickers.
Must be capable of oxtimating production cost and preparing budget reports.

Substitute Occupations
3. Accountant general, enginere, exechtive oflice, cost clerk of large plant.
| 3oOKKbrich
Duties

1. Kepping commercial, factory or gencral accoment hooks of athy sont.

Qualifications
2. Nust he a lirst-class peneral bookeremer, experienced in single and double conre, day book, stork book, posting and balameing. Must be familiar with medern beok or looseleaf and card bookeepuing, and proferably able to operate Burroughs or other adding or bookkeping machine system. Must be capable of atetigy as loead bookkeper in charge of posting and balameing general shop books where modern methods are employed.
should have had experiene as shop or factory bookeeper with an industrial mathine or ant omobile factory.

Sulstitute Occupations
3. Aerountant, auditor, clerk.
('lekr, (ieneral ()ffice:

## Duties

1. General elerical work and offiee detail.

Qualifications
2. Must be an experienced office clork, capable of handling general correspondence and performing clerieal work, tabulating, invoicing, filing, card index work, preparing statements, and should have some knowledge of simple bookkeeping and be able to make out payrolls.
Must be familiar with and possess a good knowledge of shop or factory office methods, the forms ased for handling of the stores, requisitions, material sheets, cost sheet, receiving, shipping, inventory and billing, and also be familiar with the particular industrial or engineering terms used.
Ability to operate a typewriter and adding machine, to some extent desirable. Should have had similar experience in office of any industrial plant, insurance office or with contractors, or engincers, or railroad company.

## Substitute Occupations

3. Industrial elerk, commercial clerk, railroad clerk, clerk.

Concrete Furbman

## Duties

1. General supervision of concrete operations of any character and of any size.

Qualifications
2. Nust be thoroughly experienced as a general concrete foreman or boss and able to supervise large concrete operations. Should be particularly familiar with the mixing and placing of concrete on varions kinds of work.
Must be familiar with mass, cyrlopean or detail concrete form work for foumlations, piers, abutments, retaining walls and reinforced work, such as walls, columns, beams and floors, culverts, arches, viaducts, gin fomdations, tanks, reservoirs and sewers.
Must understand placing, ramming, spading and be a good facer and able to give various finishes to concrete surfaces. Must understand placing and safe removal of forms and reinforcing of standard types.
Must understand the use of steam or gasoline mixers, hoisting towers, hoisting engines, chutes, distributing systems and be experienced with selection and proportioning of concrete material for different classes of work.
Should be skilled in the use of devices for protection against freezing and know how and when to remove props and forms, and able to proceed continously under unfavorable conditions.
Should have had like experience on railway, building or general construction, or a general foreman on large masonry or brick operation.

Substitute Occupations
3. General concrete contractor, eonstruction forman, concrete boss.

## Questions

1. Would it be practical to apply the same type of analysis to positions in the sales organizations?

## Probbeay 3 <br> 

The American 'ohacoo ('ompany employed in 1915 about 1,400 salesmen. These were selected by the district managers, following a persomal interview, from prospects recommemded by customers or others. Advertising for prospects was not used. In prosecuting his studies of peychological tests and their application to the selection of salesmen, Professor Walter Dill foott had $S$ district managers of this company meet in one city to interview independently and successively 29 applicants for the position of salesman, of whom 15 men were to be chosen. Each district manager was asked to use his usual method of interviewing and ranking the men. In the following table of results, the Roman numerals indicate the district managers. No. 1 is a division manager in charge of the other 7 district managers. Applicants are designated by letters A to CC.**

| Average |  | I | II | III | IV | V | VI | VII | VIII |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| A | 4 | 18 | 9 | 5 | 21 | 2.5 | 2.5 | 3 | 11 |
| B | 5 | 8 | 3 | 11.5 | 3 | 2.5 | 14.5 | 26 | 5 |
| C | 7 | 4 | 3 | 11.5 | 6 | 15 | 20 | 15 | 4 |
| D | 11.5 | 19 | 1.5 | 7 | 21 | 9 | 11 | 3 | 17 |
| F | 1 | 2 | 3 | 19 | 2 | 23 | 1 | 3 | 2.5 |
| F | 14 | 1 | 9 | 13.5 | 24.5 | 9 | 2.5 | 22 | 24 |
| G | 15 | 20.5 | 9 | 13.5 | 16.5 | 12 | 8 | 27 | 2.5 |
| H | 10 | 9 | 9 | 24.5 | 8 | 6 | 8 | 18 | 15.5 |
| I | 3 | 28 | 3 | 6 | 4.5 | 12 | 4.5 | 3 | 9 |
| J | 2 | 7 | 3 | 4 | 1.5 | 23 | 12.5 | 6 | 6.5 |

*Taken from Premters' Ink, Fehmary 17, 1916.

[^5]| Average |  | I | II | III | IV | $V$ | VI | VIl | VIII |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| K | 19 | 15) | 24 | 21 | 13 | 23 | 25 | 11 | (3) |
| L | 6 | 11 | 9 | 10 | 1 | 12 | 12.5 | 19 | 1 |
| M | 9 | 26 | 15 | 1 | 8 | 9 | 16.5 | 3 | 15.5 |
| N | 21 | 13 | 24 | 17 | 26 | 23 | 8 | 10 | 26.5 |
| O | 1.5 | 14 | 9 | 8.5 | 21 | 2.5 | 8 | 17 | 22 |
| P | 24 | 16 | 26.5 | $2+.5$ | 10.5) | 23 | 25 | 20 | 13 |
| Q | 13 | 3 | 20 | S.5 | 13 | 1.5 | 20 | 13 | 11 |
| R | 18 | 28 | 20 | 24.5 | 16.5 | 2.5 | 16.5 | 7.5 | 22 |
| S | 26 | 24 | 1.5 | 18 | 28 | 23 | 14.5 | 25 | 26.5 |
| T | 22 | 20.5 | 9 | 20 | 16.5 | 23 | 20 | 23.5 | 19 |
| U | 17 | 23 | 24 | 3 | 21 | ${ }^{6}$ | 8 | 16 | 28.5 |
| V | 8 | 6 | 15 | 2 | 8 | 23 | 4.5 | 12 | 14 |
| W | 16 | 10 | 29 | 15.5 | 13 | 6 | 18 | 9 | 11 |
| X | 23 | 22 | 20 | 22 | 10.5 | 23 | 25 | 7.5 | 22 |
| Y | 27 | 17 | 15 | 28 | 28 | 23 | 22 | 28 | 19 |
| \%/ | 20 | 12 | 20 | 15. 5 | 24.5 | 23 | 25 | 14 | 3 |
| AA | 25 | j | 20 | 24.5 | 21.5 | 15 | 29 | 21 | 25 |
| BB | 28 | 28 | 26.5 | 29 | 16.5 | 23 | 23 | 29 | 19 |
| CC | 29 | 25 | 28 | 27 | 28 | 23 | 25 | 23.5 | 28.5 |

Correlation with Interviowers:

$$
\begin{array}{llllllll}
.70 & .41 & .76 & .73 & .70 & .47 & .74 & .55 \\
\hline
\end{array}
$$

## Questions:

1. What conclusions are to be drawn from the results?
2. What action should be taken by the American Tobaceo Company to improve methods of selection?

## Prombem 38

The R. R. Vanderveer Company is a large manufacturer of paints and varnishes, with factories located in Bridgeport, ('onnecticut, and Chicago. Its products are sold direet to retailers, ustally hadware dealers, drug stores, and exchusive paint, stores. In cities or towns of 10,000 inhabitants or less, exclusive agencies are granted, while in larger eities the number of dealers to whom the company sells is strictly limited in order to render more effective the claborate plan of cooperation with the dealer which the Vanderveer Company has undertaken. While the company does not sell direct to master painters unless they maintain a retail shop, or to any except very large contractors or wholesale consumers, it carries on a very active campaign to induce these buyers to purchase through local dealers.

Successful distribution has been attained and a large sales foree is employed, but prior to 1920 the sales manager had used no standardized form of application blank or method of selection of salesmen. In the early part of that year, L. W. Prentiss, assistant sales manager, in charge of personnel, undertook the problem of working up a satisfactory method of selection. One of the first points of attack was the formulation of a salesman's application blank. He wrote to other manufacturers asking for their forms, with the idea of selecting the most desirable, which he is expected to modify to fit his own needs. Among the forms received Mr. Prentiss finally chose the following two as offering the best possibilities of adaptation.

[^6]
## FORM A (Page 1)

Date
19 .....

| Name in full |  |
| :---: | :---: |
| Street Address | City ...........Telephone |
| Birthplace | Nationality.............Ag |
| What are your ideas regarding compensation |  |
| Physical Qualifications | General Qualifications |
| 1. Height | Married or single . . . . Children |
| 2. Weight | Other dependents |
| 3. Complexion. | Do you own real estate ..... Vahe |
| 4. Nationality | Is it free from incumbrance |
| 5. Any defeet in: | Have you any loans or debts past due |
| Spiech | If so, particulars |
| Hearing | To what extent do you use intoxicants |
| Sight | Nember of what lodges (give lodge numbers) |
| Feet |  |
| Other | Are you in good standing |
| 6. Taken recent physical examination | What is your military status <br> What insurance do you carry-Life |
| 7. For what purpose | Health ... ...........Accident |
| 8. Did you pass | Have you ever been bonded...... What Amt |
| 9. What serious illness | Name relatives in our employ |
| have you had within last five years | Are you personally acquainted with any in our employ |
| 10. Are you willing to take physical exam. |  |

## (Page 2) <br> PARTICULARS OF PRESENT LMPLOYMENT

Are you at present employed .. If not, how long since last steady work
Name of present or last employer

What is your present or last work

How many months out of the year have you been aceustomed to traveling
Could you retain present position indefinitely
Have you ever been discharged or "laid off".
For what reason.

POATTONS HELD OTHER THAN YOUR PRESENT ONE

| From What Date | $\begin{aligned} & \text { To } \\ & \text { What } \\ & \text { W:te } \\ & \text { D: } \end{aligned}$ | $\begin{gathered} \text { N:ature } \\ \text { of } \\ \text { Pusition } \end{gathered}$ | $\begin{aligned} & \text { Why } \\ & \text { Didyou } \\ & \text { Latave } \end{aligned}$ | Niathe : mal Adelress of limployer | $\begin{aligned} & \text { bine } \\ & \text { of } \\ & \text { Busimess } \end{aligned}$ | $\begin{aligned} & \text { Not } \\ & \text { Yearly } \\ & \text { Earnings } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

## (Page 3) <br> 

Were youraised in city, town on commery
Did you graduate from high schood
Did you attend college Where
At what age did you eommenere work

Whew Where thaw low
How many years' selling experience.
What study courses have you compleded since leaving sehool.
Have you taken a spectal sales traning course with any previous employer Particulars:
What territory are som most familiar with
What other territories hawe you covered
Will you aceept any territory we have vacant
Are you willing to 1 rawd
State preferonere, if any Focout choice
What limes, other than four present me have you handed
Any experience in our line Partionlars
What clasese of mambacturers hate gom sold
What chasses of joblere late soun oodd
What datses of retailers hatse you wold
With what dass of trade are gou best acequainted
What clasese of consumers hate you sold direet
(HARAC"FER REFPREN('EN-OTHER THAN゙ EMPLOYERS
Name Busimess Address

## (l'age f)

In the space below applieat will write a letter. briefly setting forth the reasons why he desires a conneetion with this house; why he thinks he would make a successful representative, and why he wishes to change his present position:

It is understood and agreed that any agrement entered into between this Company and the applieant is predieated upon the truthfutness of the statements herein comtaimed.

Nignature of Applicant

Bonding application filed
lieport

## FORA B



## Questions

1. Which of these application blanks was best fitted to serve as a basis for modeling a form for the Vanderveer Company?
2. What changes would you suggest?

Problem 39
Selection of Smesmen-Rativa Scale
The rating scale is a means for judging and evaluating more accurately than is ordinarily possible the essential personal quatities necessary for a given position or type of work. Preparing a rating scale and devising special psychological tests for a given type of work necessitates, first of all, the making of a job analysis or job description. Without such description, it is, of course, impossible to make more than general tests of intelligence or to comnect the rating seale with the particular job in other than a loose fashion. While a job antlysis may be prepared by personal contact and study, a more reliable method consists in having several persons prepare job analyses from which a composite may be made.

The following is a rating scale for judging certain types of salesmen. It has been used particularly in selection of salesmen for a grocery specialty.*

[^7]| QUALITIES |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 1. Appearance and Manner. Consider how he impresses the trade in his field by appearance | Strong <br> Personality | Fayorable | Indifferent Weak | $\begin{aligned} & \text { Offen- } \\ & \text { sive } \end{aligned}$ |
| 2. Sales Ingenuity. Consider his suceess in sizing up a sales situation and in presenting the company's policy with tact, elearness and force. | $\begin{aligned} & \text { Very } \\ & \text { Suceoss- } \\ & \text { ful } \end{aligned}$ | Capable | $\begin{aligned} & \text { Medio- } \\ & \text { cre } \end{aligned}$ | $\begin{aligned} & \text { Unsuc- } \\ & \text { cessful } \end{aligned}$ |
| 3. Industry. Consider his energy and application to the duties of his work | Very Energetie | Inclustrious | Indifferent | Lazy |
| 4. Reliability. Consider whether he is lecurate in statements, dependable in money matters, faithful in social re- | Absolutely Dependable | Conscientious | $\begin{aligned} & \text { Care- } \\ & \text { less } \end{aligned}$ | Unreliable |
| 5. Ability in Dercloping Men. Consider his success in developing tatent and improving the grade of the salesmen through arousing ambition, creating and maintaining interest and imparting information. | Develop: salesmen of High Caliber. | Develops Salesmen of More than Ordinary Ability | Neglects Development of of Salesmen | Discourages and Misinforms Salesmen |

Read carefully the definition of the first quality. At the right are the degrees in which a person may possess this quality. Make a check at the point which, in your opinion, best describes the person you are sizing up.

## Questions

1. Prepare a rating scale similar to the above, which will aid in the selection of traveling salesmen for a concern manufacturing electric cranes and hoists used in industry and shipping. It is customary to make the sale direct to consumer, each sale being the result of a series of negotiations between the salesman and the engineering department of the purchasing concern.
2. What changes in the rating scale would be necessary to adapt it to the selection of field supervisors from salesmen of a wholesale grocery concern?

<br>RIFMV: BCOLEK

A promiment motor distributor uses the following rating plan, adapted from trmy rating schedules, for the amalysie of his shen force:

## 

## 1. Trivbe Abaraty <br> ('onsider kimb:md:mennt of trade (or dept.) Highest $\mathbf{1 5}$ <br> experience: knowledge of, and reommofnlness High 12 in using mathinm, took, matorials, amd frade Middle 9 methools. <br> Low 6 <br> Lowest 3

## 

Consider ability to maintain :andame fanlity Highest 25 work; to place help where they an do the best High 20 work; to plan ahead :o as to have materials, Mieldle 15 mentand tools pearly to get ont orders on sched- Low 10 ule time with minimm production ensts and to Lowest 5 keep a stealy forere.
III. Ability to Handele Mex.

Consider initiative, ferisivenses, reonnerful- Highest 15 ness, energy, self-entrol, and ability to deal High 12 fairly with his help; to carn their reapert, good Middle 9 will and confidence: to maintain just disajpline Low 6 and astable working forer. Lowest 3

## IV. Abhety to Tedeh.

Consider his ability to (explain his work clear- Highest 15 ly ant thoroughly to a begimmer. to wain the High 12 beginners eonfidence and make him interested Middle 9 in the work; his suceres in developing all-romed Low 6 men. lettering men of lower grades and in- Lowest 3 creasing emerally the knowledere of the help) under him and their skill.
V. Cienerbl Vale fo the (obipany.

Consider his years of survio. loyalty, ability Highest 30 to understand and "arry out the company"s High 24 policies; orderlines of his depromment: reatli- Middle 18

[^8]ness and ability to cooperate with otherdepart- Low 12 ments and the management ingiving new ideas Lowest 6 and methods a fair trial.

The sum total of the high ratings is 100 . "(ieneral Value" comes first with a rating of 30 ; " Dbility to Plan and Supervise" next with a maximmun valuation of 25; "Trade Ability," " Mbility to Hamdle Men," "Ability to Teach," are considered each worth 15 points.

## Questions

1. Does this phan offer the general sales manager of a concern manufacturing typewriters any aid in the selection of district and local managers from the foree of salesmen?
2. What changes would you advise to make the rating plan more suitable for this purpose?

## Problem 11 <br> Gelerthon of sumemen

Mr. Arthur Kıecland. on January 10, 1920, areepted the position of general sales mamager with the Kemnicut Manufacturing (company. This company produces typewriters, which are distributed through a national selling organization. The main sales office is located in New York, and the company has forty hranches situated in the larger eities of the United states. The selling policies and the control of salesmen are centralized in the New York office.

At the time Mr. Knedand antered the employ of the Kemnicut Manufacturing ('ompany, there was no standard method of selecting salesmen or of rating applicants for the sales foree. In order to find out how other concerns were handling this, Mr. Kineeland, on

February 1, wrote a persomal letter to Mr. Frank Somersbey who for the precoding five years had been the sales matager of a company mamufatoring palculating machines. In his letter Mr. Kineeland asked for information regarding the selection of now salesmen and what records Mr. Somershy had found it advisable to keerp.

The following is quoted from Mr. Somershy's reply:
Although the embtal salde office reserves the right to pass on all selecetions of tures, we hold the district managers repomible for the admal selection in the ir respertive districts. The manament prefers to thain its salesmen from the start, and in order to ahtan men withont previous sales experionce we advertise. Onr methes is to insert in the rity newspapers a blind advertisement in which emphasis is placed on previous eduration. White the poliey of the company is reflected in the fact that $40^{\circ} \%$ of its sales forec are college men, we reduire only a high sehool educatiom. In order to weed out the impossible, the advertisement states that the applicant must reply he letter. We usually find that out of appoximately every fifty who reply to our district manager hat only from six to twelve are aceepted for an interview.

Each applicant is looked upon as a possible source of investment of so much of the company's working capital, as we always look upon changes of persomel as costly to the company. Naturally, we want an investment to be permanent and to continue to barn and return a profit. If the profit is of healthy poportions, our tank of establishing a profit-sharing contract hetween the company and salesmen is simplifiod. The ideal, of course, is to have both parties to the contract moving forward and satisfied to work together.

Each appliemt is mentally charted by the interviewer as to his character. Inder the heading, character, we include enthusiasm, honesty, dependability, lovalty, veracity, habits, and detemmation. His address is carefully noted for such points ats grammar, forefulness and enunciation. For his intelligence, we attompt to judge his mental alertness, obervation and ability. We have a classification which we call weang gualities, which include his sympathy, ability to listen, tact, wherfulness, optimism, courtery, fromom from comecit. We of course judge his physical qualitios and moleavor to size up his physique, energy, enduranee, and general health. As a possible
executive, the qualities of business knowledge, power to concentrate, memory, amhition, comrage, bradth of view and decision are carefully watehed out for.

After the interview the impressions gathered by the interviewer are reoorded on a permanont eard. Each applicant has an individual card on which the interviewer grades each item on which he has formed an opinion. Our rating scale is as follows:

Excellent. . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Good. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 4
Fair. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 3
Poor.......................................... . 2
Unsatisfactory, or quality apparently lacking 1
In a majority of cases, if the average grade is fair, we give the applicant a card to fill out, either at the office or to take away with him to answer at his leisure. This card is called the 'application for position' card, and the questions asked aside from those of name, date, and pare of birth, are listed under the headings of previous employment, character, references other than relatives or employers, education and experience, characteristics, business arithmetic. We place great emphasis on the applicant's correct answers to the questions that we ask under the heading of 'business arithmetic'. In fact, in a majority of eases, if the applieant at the original interview shows a matural aversion for mathematics he is seldom given encouragement. Our reason for this is that we do not think in our business that it is essential for the ordinary man to have had previons sales experience either in the specialty field or general sales experience of any kind to make good, but we do consider it essential that a prospertive salesman have a liking for arithmetic in order to sucereed.

## Questions

1. Should Mr. Kneeland have adopted this plan?
2. If so, were any changes necessary"?

## PBoblam fe <br> 

The 'Thompson ('ompathys, mambacturing faming systems, wentilating syatemsand allied products, meets keen eompetition in the motor and fan lines, but in exhanst fans and ventilating systems the company has the leadership.

The company does mot sell to retaikers, but to consumers, such as buiders and engineers, and to jobbers. The majority of business is done direct with the consumer. The salesmen are all engineers, sometimes selected from other lines of industry and trained at the plant or secured from within the plant in the engineering department.

The company wishes to build up its motor and fan business.

## Questions:

1. Should specialty salesmen be hired for these particular lines".
2. If so, should they be engineers, like the salesmen for other lines"?
3. What consideration should govern selection?

Problem 4:;
shlection of Silemas
A certain sales manager, in interviewing applicants for positions as traveling salesmen for a paint manufacturing concern, made it a practice to interview men personally at 30 -minute intervals. First of all, each man was given an opportunity to talk about himself; he was encouraged to give his life history, with the idea that as soon as this was off his mind he would begin
to appear less tense and more natural. The sales manager then told the applicant something of the company's proposition, after which heasked the following questions:
(1) Why do you think you can sell our line of paint?
(2) What is your theory of arlvertising?
(3) What kind of advertising, in your opinion, is the best for the merchant?
(4) What have you done persomatly to help move merchandise from the rotailer's shelver.".
(5) Why should I give you preference over the 200 other salesmen who are applying for this position".
(6) How mucly do you think you should earn in this job?

## Questions

1. What is your opinion of the value of these questions in selecting salesmen?
2. How would these apply in the selection of salesmen for other lines sold to retailers".

## Probleal 4+

Establishament of Brovidi siles Office
(a) A shoe concern, located at Brockton, Massachusetts, selling high-grade shoes direet to retailers and selected customers and thromgh itsown stores in eastern cities, finds that its per capita distribution grows less as the distance from the home office incereates. The per capita distribution in Illinois is very much smaller than in Pennsylvania. The proposal has been made to establish a branch office in Chicago. The president of the concern wishes information as to the cost of a
branch office, whether, "erssary to carry stock, what eguipmer ol would be reepuired.
(flecstion.

1. What deecision should be maz
2. How should information be si a ch to base this (lecision".
(b) 'The Albert Company of C'leveland manufactures medium-grade men's clothing, which sells at moderate prices throughout the Niddle West. While the company has heen oversold nearly every season for the past twenty years, it feels that its position is being threatened at present by the competition of Chicago manufacturers.

Salesmen ordinarily visit customers twice each yearin the spring with samples of fall wear, in the late summer and early fall with samples of spring styles. Generally the men are out on the road from eight to ten weeks on each trip. The result is that for practically half their time they must be utilized in the factory or given vacations. since payment is upon a commission basis, it is difficult to require their assistance in the home office. In order to get in closer touch with eustomers and to establish an office to which customers might go for the inspection of samples at other times than on the semi-annual trips, it is proposed that a sales office be established in Chicago in charge of the man who ordinarily travels that teritory and an assistant. It is expected that either he or his assistant will visit customers through the territory at other times than on the regular selling trips, and that increased sales will compensate him for extra effort.

## Question

should the company establish a Chicago office?

## Problem 45

Establishment of Branch Office
The Melvin Lawrence Company manufactures textile machinery of all types necessary to outfit a complete textile mill. The company was founded about 1850 , and has grown until it is one of the leaders in the industry. The central executive and sales offices are located in Boston. A southern branch office is established in Charlotte, North Carolina, with a small suboffice at Greenfield under the direction of the Charlotte office. Greenfield is a large mill center and many of the customers of the company are located there.

## Question

In view of the fact that textile mills are being established in the West and Southwest, should the company establish a western sales office?

## Problem 46

Establisiment of Branci Warehouse
(a) The Leighton Rubber Company, manufacturing tires and rubber footwear, has a branch for its tire business located in Birmingham, Alabama. This constitutes a distributing point for southern territory. The branch does a business of approximately $\$ 75,000$ a month with a gross profit of $17 \%$, from which is to be deducted the discount expense of $6 \%$, sales expense of $51 / 2 \%$, and branch expenses (including all other expenses) of $51 / 2$ per cent.

The manager of the branch has asked that the company establish a warehouse or sub-stock-station in North Carolina. The business in North Carolina runs up to $\$ 5,000$ per month, but is curtailed because the North Carolina trade desires better service than the

Birmingham oflice ean wive. The management estimates that, if a sub-station is established to give shipping servier only, the North C'arolina business can be increased to 815,000 a month.

## Qurstions

1. Should the sult-station be established?
2. If so, in what city should it be located"
3. What additional expense would be necessary in setting up such a sub-station, provided the station only shows and ships stork, while the bookkeeping is done at the branch?
4. What effect would it have on the figures of the Birmingham office?
(b) This company finds it necessary to establish a sales office and warehouse for footwear and tires in New York (ity. The jobbing district for footwear is located many miles away from the tire wholesale center, which is around 57 th street. The problem is confronting the company as to whether a combined warehouse for tires and footwear should be established, whether the location chosen should the that of the tire center, the footwear center. or elsewhere. The alternative is the establishment of two sates offices and warehouses, each in its appropriate conter, with the additional cost thus involved.

Question
What shoukd be done?

## Problemify

## Branch Organization

In September, 1920, the Ajax National Bank had two accounts on its books, of rubber companies that were being reorganized. John Fleming, one of the vicepresidents, was on both reorganization committees and upon investigating the branch organizations of these two companies found two distinet methods existed. One of the companies, the Johnsville Manufacturing Company, produced rubber tires and footwear, and conducted its branches as independent organizations. The manager of each branch house hired his own salesmen, laid out their territories, made arrangements for remuneration and expenses, and was entirely responsible for their conduct and efficiency. Credits were handled by a branch manager attached to each branch. Accounting, bookkeeping, stock-taking, and distribution were all handled independently, the only limitation having been that in the broader policies there should be no conflict with the central organization. None of the records kept by the managers of branches were brought into the main office, with the exception of the amount of total sales and certain general information.

The other company, the Mills Manufacturing Company, producing the same products, gave its branch managers entire charge of personnel; they were made responsible for sales campaigns developed by the company, had entire charge of records and accounts, credits and collections, stocks and merchandise, but kept records in exact accordance with systems furnished by the central office. The required reports gave the main office practically all the important information collected by the branch managers. In each branch the salesmen reported to the manager; likewise, the chief clerks who were in charge of the persons performing the accounting, billing, credits and collections, receiving and shipping orders, stock records, and adjustment functions. Depending upon the size of the branch, these functions were combined or assigned to separate individuals. There was no absolute uniformity between branches; in
some cases, the credit manager reported directly to the branch manager and in other cases through the chief clerk. separate branch organizations were maintained for tire and for footwear, the general plan of organization being the same.

## Questions

1. Should Mr. Fleming suggest that the branch organizations of both companies follow similar standard practices. should the brameh managers be responsible for more than the handling of the sales force?

2 . If so, to what extent should the functions of handling (redits and sales promotion be delegated?

## Problem 48

## Field Organization

The following is an extract from the sales manual of a large company manufacturing electrical equipment:

## FHELD OR(GANIZATION

(ieneral
(a) There are three kints of offices in the sales Department's field organization, as follows:
(1) District office in charge of a District Manager. The District Office controls all Branch and SubOffices in its territory.
(2) Branch Office. This is an oflice from which several men travel and, as a rule, there is a Branch Manager in charge.
(3) Sub-Office. This is the healdquarters for one or two men who travel from that particular center. No titles are given to representatives attached to sub-offices and there is no Branch Manager in charge.
(b) The following titles are given where applicable:

District Manager.
Aeting District Manager.
Assistant District Manager.
Assistant to District Manager
Branch Manager.
Manager Supply Division.
Manager Railway Division.
Manager Power IDivision.
Manager Serviee Division.
Manager Automotive Equipment Division.
(c) Offices, persomel and territorial divisions are given complete in another section.

In order to make proper comparisons and studies in reference to the conduct of our business throughout the United States, it is deemed advisable to group the offiees as follows:

| Group A | (rioup) $B$ | (rroup $C$ |
| :---: | :---: | :---: |
| Denver | Boston | Atlanta |
| Los Angeles | (hicago | Buffalo |
| San Francisco | New York | Cincimati |
| Seattle | Philadelphia | Detroit |
|  | Pittsburgh | St. Louis |
|  | *Washington |  |

## Duties of District Manager

(a) To be responsible for the character of our relations with the larger interesti in his district and, in general, responsible for the character of the service rendered by the Company in his district insofar as it is in his control; and where bad service is rendored due to the shortromings of some other department, to make proper representation in sueh eases to the interested department managers and proper corrections in service be made. Settlement of all disputes with enstomers should be in district manager's hands, including approval of serviee department charges. He should know all of the important railway and central station men and the heads of the most important industrial establishments in his territory, and all of the jobbers and important resale men. He should also have first-hand knowledge of the larger cities and towns in his territory. This knowledge of men and places is nocessary in order that he may be able to help salesmen in important neqotiations and also that he may be able to judge salesmen and their work by knowing thoroughly the field in which they are working.
*Headquarters Office, U. S. Government Business.
(b) To supervise the work of division managers, inchuding the manager of the servier division, and of all assistants, branch managers and others to whom special duties may be delegated, and to beresponsible for the chamater of their work.
(c) To be responsible for the character of the work done by the clerical and other non-selline divisions of the distriet, branch and subtoffices.
(d) To be reponsible for the roulition of the district warehouse and the condition of its rontents and, through division managers, for the suitability of such district stock in items and quantities within the agregate vahe set by the Companys, to take care of the trade in the distriet.
(e) 'To assist and supervise the work of the division manager in preseribing lists of "ustomers for each salesman.
$(f)$ To be responsible for the expenses of his office and of the fore of employeses under his dimertion.
( $g$ ) To be responsible for the personnel of his sales force and for the employment of the proper mumber of competent salesmen to sell all lines of product, give good service to all eustomers and property develop the full possibilities of his district.
(h) To keep generally informed so as to have a good general knowledge of the C'ompany's product.
(i) To study reports of salesmen and division managers so as to know the total demand of his district for the Company's products.
(i) To supervise the work of division managers in the work of developing demand.
(k) To supervise the work of division managers in the finding of new customers and prospects.
(l) To keep posted on the activities of competitors.
(m) To supervise the work of division managers and salesmen in conncetion with lost and abandoned business reports.
(n) To require and maintain discipline and compliance with sales manual; to be responsible for the conduct of the men under him, in order to see that they are creditable representatives of the Company.
(o) To be responsible for the maintenance of prices by division managers and salesmen and to be responsible for profit only when the making of prices is in special eases delegated to him hy headquarters departments at Chicago.
( $p$ ) To be responsible for the utmost coordination between divisions in his office to insure the maximmm solling results and to see that every resourer of his offier is used regardless of division lines. To coordinate the work of his office with that of other district offiees and with that of headquarters departments to the end that the maximum degree of complementary effort is securod.
(q) To supervise the work of division managers and salesmen in commetion with reports om the financial condition of customers.
$(r)$ To supervise the work of division mangers and salesmen in connection with reporting demands of the trade for new products.
(s) To supervise the work of his forer in connection with the study of enstomer's requirements and the sngesetion of improvements in our problucts.
( $t$ ) To obtain the maximm local benefit from the Company's advertising of all kinds.

## Questions

Prepare a similar statement of duties of :
(a) Division managers who are responsible for sales activities in a single line.
(b) Salesmen.

Problem 49
Branch Organtzathon
The establishment of branch sales offices is a problem which confronts many of the larger companies. Branch organizations are very frequently unsuccessful; that is, the selling cost through branch organization is extremely high, particularly in cases where the volume of sales in a particular district has not increased as anticipated when the branch was established. Where
branches are used to supplement sales effort, to provide headquarters for decentralized direction of salesmen, and possibly direction of stock to be held for prompt shipment, there may be ample justification for their establishment. Only too frequently, dissatisfaction with sales in a particular district leads the sales manager to the conclusion that a branch sales office is necessary. It is rarely possible to determine whether the increased selling cost will be spread over a correspondingly increased volume of sales. In export selling the practice is more conservative with regard to the establishment of sales branches. The cost is a matter which cannot be overlooked, and it is customary to weigh the possibilities much more carefully; in fact, not to establish a branch office until (compelled by volume of sales and necessity of decentralization. The same rule, which is a safe one, may be followed in establishing domestic branch offices.

In the establishment of branch offices, problems of organization immediately arise. One of the usual functions of the branch manager is the direction of the salesmen in the territory served by the branch. A prominent manufacturer of motor trucks, with 19 branch offices, delegates to the branch manager the entire responsibility of hiring, firing, and training of salesmen.

Another company, manufacturing tires and other rubber goods, formerly permitted branch managers to employ their salesmen. They declared that this resulted in lack of uniformity in the organization; and, as a consequence, adopted a standard method of employment allowing branch managers to participate in the employment of salesmen, although it is conducted under the direction of the employment division of the Sales Persomel Department. In other words, the employment division has to approve the application before the branch manager can hire the man. The education division has charge of the sales school, undertaking to teach each man and pass upon him during his period of training.

A collar manufacturer's sales organization is headed by a director of sales. Under him are eight sales managers in charge of the United states sales districtsNew York, Philadelphia, Chicago, Boston. ('leveland, Toronto, San Francisco, and Los Angeles. These men are located at the branch offices. Under the district sales manager are the salesmen in each territory. No salesmen are hired at the main office. Each district sales manager hires and trains his own men.

Other companies adopt the plan of making their branches practically independent, subject to the main organization only in matters of gemeral poliey. This is true of certain automobile companies and it is based upon the theory that, if the branch manager is practically in the position of manager of his business, he will exercise more initiative and energy in getting business.

The Rogers Company, of New York, is one of the large manufacturers and distributors of heat and radiation systems. Because of its adoption of progressive sales methods and its extensive advertising during the last 25 years, the company has experienced a rapid growth until there were, in 1919, over 40 branch offices and sub-offices in the organization. It that time the branch managers were subordinate to territorial sales managers located in the central office. The country was divided into three divisions, with a territorial manager over cach. These territorial managers had control and direction in their respective districts of branch managers, who, in turn made periodie reports to them. The territorial sales manager consequently reported to the general sales manager of the company.

At the time, all accounting, billing, credit, and collection work was centralized in the New York office; the branches were simply solling and warehousing offices. The branch manager had the power of hiring and firing salesmen, and exercising control orer them. but had to make detailed and elaborate reports on their work to the territorial sales manager, who was over him.

The district sales manager and branch manager of this company were, in almost all cases, superior salesmen who had been promoted to these positions. At the time stated the general sales manager, after much thought, was consinced that his branch manager and territorial manager had beeome desk men to too large a degree; their sales ability was not being utilized through personal contact with their selling forces. Practically their whole time was taken up in handling the many order forms and report sheets required in the centralized control.

The question of organization was brought up at a meeting of the board of directors. It was suggested that the offices of the three territorial sales managers be discontinued, that the accounting, billing, credit and collection work be transferred to the branch offices, and that the branch managers be given a freer rein in their territories. The general sales manager was requested to draw up a statement to be included in the organization manual of the company setting forth the functions and duties of the branch managers under the new arrangement. Further, it was requested that he state the relationship of the branch manager to the various functional officials in the central organization such as the New Product Manager, the Merchandise Manager, Credit Manager, and Statistician.

## Questions

1. What, in general, would be the duties of the branch manager under such a system?
2. What would be his relationship to the functional managers?

Problem 50
Relation Between Abyertising and Selang
Departments*
(a) "It may be that the sales manager is gradually absorbing the functions of the adrertising manager and leaving the latter as a sort of burean head charged with carrying on one little branch of the sales effort. It may be that the sales manager is going to be rebuilt into an advertising manager, as mass salesmanship gets more and more important and eliminates-if it ever will eliminate - a large percentage of personal selling. It may be that a new job will have to be created for a higher-powered executive who will be superimposed over the other two. Wherever advertising effort has been well conceived, it has served powerfully to reduce the personal effort exerted by each salesman in making each sale. The adrertising manager who has lived up to the bigness of his job has often been able to see things a little more broadly than the sales manager; he handles masses of individuals and communities of opinion. The sales manager, by studied emphasis on the function of advertising as a 'sales help', can build up an impressive thesis in support of his priority. Some executives see only the necessity of closer and more effective alliance between the two departments. Some foresee a merger in which both shall sink their identity into one or the other or into something bigger. Some think that the process of evolution in each case will depend upon the personality of the adrertising manager or sales manager. Some think that one thing will happen in the large concern, another in the small."
(b) "Instead of these two positions merging into one, I would think there would be a greater concentration into each one as separate units. In other words, the advertising manager is becoming a specialist in his own line and the sales manager is becoming more efficient in his. There must be a very close working arrangement and a mutual knowledge on the part of the sales

[^9]manager and advertising manager. Each has too big a job to be handled by the same man, meness through a bery broad experiene it is possible for one man to direct them both, but the operations must have a distinction. The sates manager is selling merchandise to the dealer and the advertising manager is solling a belief to the minds of the public."
(c) "I look to see a new title which is rapidly coming to the fore, that of merchandising or sales-promotion manager, which will finally take care of the two separate and distinct lines which now are taken care of by salesmen and advertising. I think, howerer, that there will alwar: be an adrertining manager. He may degencrate to become simply the head of a sub-department in a sales department, just as now the usual advertising departments are considerably subdivided."
(d) "In one particular line of business within the past year the sales managers of four nationally known concerns have been promoted cither to be vice-presidents or directors, or both, in their respective companies, whereas the advertising managers in those companies still retain that title and apparently their same circle of influence in their respective organizations."
(e) "Depends upon size and character of business. Imposible in a large business for any one man to have the time, experience or ability to handle both positions effectively."
(f) "Any business is an 'eternal triangle'; speaking broadly, there are but three departments: production, selling, and finance. There should be a broad-gaged officer of the company orer each of these departments. There should be a sales Manager; under him, the Director of Nalesmen and the Advertising Director; the Director of salemen may have several vice-directors, such as Field Managers, to train and work with the salesmen in the field, District Sales Managers responsible for the sales in given districts, or Division Sales

Managers who are expected to work with the salesmen to increase the sales of certain lines if the house sells a number of products. Or there may be Vice-salesmanagers responsible for sales to certain industries. The Adrertising Director may have several vice-adrer-tising-directors such as National Publicity Manager, Direct Mail Manager, Dealer Helps or Localized Advertising Manager, etc. In 950 of all large businesses, there are and always will be both persomal selling and mass selling and the work accomplished by both of these methods is in reality ome branch or department of the businesis. I believe that in every really successful concern there must be a chicf selling executive over the sales manager and the adrertising manager."
$(g)$ "With the growth of any concern, a natural division inevitably occurs between the advertising and sales departments."

## Questions

1. What are the arguments for and against the coordinate position for sales and advertising departments?
2. How is the divergence of views above to be explained?

## Problem 51

Organization of Advertlising I Epartment
In the organization of concerns, wide variation is to be found both in the place of adrertising in the general organization and in the internal organization of the department itself. In some organizations, the advertising department is coordinate with the sales department. Where these are not brought into harmony by superior authority, there arise questions of organization
and method of eoordination of the varions types of sales effort. It is obvious that the size of the advertising department will depend antirely upon the stress laid upon advertising, the size of the concern, and the extent to which the performance of advertising functions is delegated to outside agencies. A mail-order house, printing its own catalog and distributing them throughout the country, may have hundreds in its advertising department. A concern selling a single product, advertising in national modia, and placing its advertising through an advertising agency, may have no advertising department at all. The practice is growing of subordinating the advertising department to the general sales department, making the sales or distribution manager one who directs distribution, not only through direction of personal salesmanship, but also of advertising and printed publicity of all kinds.

In another direction there is likewise some evidence of a tendency to place the adrertsing department either in close comection with or an integral part of a so-calledesales-promotion department, in which the various types of activity, inchuding analysis, researeh, and planning, which look forward to the increase of sales, are centralized.

A large antomobile concern producing a high-grade cal has an advertising organization in which the assistant advertising managers, under the direction of the advertising manager, are specialists in various lines. One of them deals with advertising and writing in technical journals; another with trucks; a third with art; a fourth with photos; a fifth with moving pictures; a sixth with the clerical and recording functions.

A manufacturer of office appliances operates on a committee plan. The board of directors discusses the general outline of advertising ammally, amalyzing the reports of the previous year's work, and approves any plans involving additional expenditure. In the Promotion Committee, gencral plans are diseussed subject to the sales manager's approval, hat all members must work in closest comection with the sales manager.

A large electric company, manufacturing hundreds of different products from electrical installations of the largest size to small motors and lamps, is concerned with the problem of organizing its advertising. The company is a consolidation, in which the constituent plants specialize in different products. There are two possible courses:
(1) Centralizing the advertising organization entirely at the main office of the consolidation at which the sales work is centralized;
(2) Building up an advertising organization at each plant, the size of the organization to depend upon the extent to which advertising agencies are to be relied upon for performing various functions; in other words, the various plant organizations are to have their own advertising staffs controlled only in a most general fashion by the central sales office.

## Question

Which plan should be adopted?

## Problem 52

Organization of Abvertising Department
The following letter appeared in an issue of Printers' Ink.

It has been stated, and truly so, that the best advertising committee is one composed of a board of five members, with four of them absent. In other words, too many cooks spoil the broth.

At just about this point I can imagine Mr. Sales Manager, Mr. President or Mr. Executive shaking his head and thinking 'another know-it-all, obstinate (maybe sore) advertising manager.' But not so for a minute ; the writer has never had the fortune, or misfortume. to run the gatutlet of an advertising committee.

On the other hand, consultations and cooperation with the sales departments are most certainly recommended,
amd ats far ats the matter of a thorough molderstanding with the terasimer is comeermed, one ean hatelly molerstand how an advertising departmont rondal function withont such. But the power of ath atwertising committerestould eertainly be limited to simply setting the general poliey, plans and finamodal cond, and not permitted to work on the details of


For I contend that any advertising manager who hats had his plans kad out, his policy set down, a gemeral style to be Followed given him, an appopriation allowerl, and eamot get the cannatign in motion withont going before a committer at erery 1 wis and tum, is mot denerving of his title. Why have an adverting manarer, if every member of the committer thinks he knows as much about alvertising as the matager himedf". Why not hire a twenty-five-elollar-atclerk, who will at any time be set in motion by the pulling of the stringe of the alfertsing committere, instead of engaging high-ablaried advertising experts."

If you were to plam an adelition to your plant, you would call in comsultation the heads of the various departments concerned, aseertaning their requirements and receiving their recommemations. But you would not have your construction engineer sit before this same committee, to have them tell the engineer how the work should be done. Why-becane this engineer has studied many years on the subject of enginerring, has had much practical experience in his work-you have confidenee in him and admit that he knows more about his joh, than ron. Likewise in adver-tising-the advertising manager has studied many years about sales and atvertising, has had much experience, but his exerotive lack the same confelenere in him that they do in the ongineer, and will not grant that the advertising manager knows more about his job than they do, but insist on drawing people from every section of the organization to take a whot at every piece of copy and sketeh proposed.

If you do not have confidence in your adrertising mana-ger-fire him-there really and truly are some good, efficient ones to take his plater.

Give four adrertising manger four policr, sates plans and appropriation, comsultations with the salas committee, in order to hring abont a thorough cooperation with the sales and adrertising departments; then let him produce unhindered; if you don't like what he is domg, tell him so, but don't tio him hand and foot.

## Question

Is the argument sound?

## Problem 53

## Organization of Advertising Department

The president of a large advertising agency makes the statement that, in many lines, sales forces are being cut down, also advertising staffs. The advertising manager is being put into sales work or is being dropped. Advertising agencies are taking over the responsibilities of campaigns of advertisers, claiming that they do the work more efficiently and save the cost of an advertising department.*

The Northrup Company is a national advertiser of considerable importance and is noted for its effective advertising programs. From the outset, the company has been liberal in its advertising appropriations and constantly kept their products before the buying public. For certain of their products, national magazines have been used, while trade journals have been used for giving publicity to their filing devices. Agents in the various cities are furnished copy and cuts for local newspaper and street-car advertising, also catalogs and circulars imprinted with their own names. Motionpicture slides, window cut-outs, show-window contests, and the house organ have been used with good results. The company's sales have increased from year to year, but the new manager feels that the advertising department is unnecessary for the reason that advertising appropriations and general advertising policy are passed upon by the sales manager in conference with the president, general manager, and secretary of the company and the technical work and preparation of copy are given over to an advertising agency. There is no saving, so the manager claims, in maintaining a comprehensive department in the company itself to take care of advertising, since advertising agencies secure their compensation mainly from a percentage of the amount spent for space. By arrangements with publishers, advertising agencies secure a percentage varying from $10 \%$ to $15 \%$, while the company as a

[^10]consumer of adsertising space must pay the full card rate or full contract rates. Consequently, if the company pays 8200,000 for sace in the course of a year, the advertising agency gets from $\$ 20,000$ to $\$ 30,000$, for which it will perform most of the functions now duplicated or performed only by the advertising department of the company. The manager states that a good clerk, who could take care of checking up advertising bills, is sufficient for the particular company.

## Question

Is the new manager's decision wise"?

## Problem it 4

Relation Betheen Export and Domestic Sales Departinents
A prominent export manager, in discussing the relation of the export manager to the domestic sales manager, in the Export Review, says that a capable export manager camot specialize on any one line of work, but must be familiar in a general way with every division of the business.

He must know how to develop foregn sales, he must be conversant with foreign advertising problems and understand foreign credits and collections. He thould know thoroughly commercial grography, international law and foreign tariffs. He must know the terhnique of hamdling export shipments and must be endowed with an unusual amount of patience in reaching an understanding of the peychology of the foreign buyers.

Seldom doe- a domestic official or executive, whose mind is oecupied principally with domestic conditions, know very much about many problems that exist abroad. As an exauple: the domestic sales manager's problems are to market the merchandise manufactured by his company
in the United States through the customary channels employed by the line he is handling. It may be marketing through jobbers, through exclusive dealers, direct salesmen or by mail. His problems are the same in New York State as they are in Illinois. The customs of the people are alike, the languge is the same, and the general sales methods are uniform. The domestic credit man call pursue the same methods in extending credit or making collections in Louisiana as in Maine. He can observe the uniform terms laid down by the house, and when confronted with a particularly difficult collection problem, he may seek the advice of his local attorney or, perhaps, refer the collection to his traveling salesman or branch office on the ground. The domestic traffie manager ships his goots by rail with the exception of coastwise steamers, and after placing the merchandise on the freight cars or delivering it to the express company, his troubles are ended. The advertising manager, in turn, may develop one type of advertising and secure a tremendous circulation in the United states through magazines and newspapers.

Now, let us turn to the export manager. We find that his problems are consideratbly multiplied. Sales methods differ in various parts of the world. In some countries he may estal)lish branch offices; in other countries be may find it expedient to sell through jobbers who will distribute to the local dealers; again, there are countries or cities where exclusive agencies may be made, and in some out-of-the way places he finds it necessary to solicit business by mail. Only the larger institutions are able to employ sufficient traveling representatives to represent properly the line in foreign fields. He finds many varying types of peoples and must handle the Latin in a different manner from the Seandinavian or the Oriental. His advertising problems are complex because of the different types of people he attempts to reach, the many languges that are used in various parts of the world, the many classes of periodicals and the diffienlty in selecting those that are of the right character in which to exploit his line. He must find many soures from which to serure information and trade tips. He does not have the same facilities for obtaining credit information that are found in this country and must operate entirely along different lines, not only in passing his eredit: lint in making his collections. His traffic problems are entirely different from domestic, as, after the goods arrive at the seaboard from the factory, he must exercise a great deal of care in properly handling shipments or the possibility of financial loss occurs. While he may have an experienced traffic man to handle the detail,
the export manager shomld be familiar with eommercial geography, steamship lines, methools of transportation in foreign comtries, export packing marine insurance, tariffs, consular regulations and many other details.

It is casily sern, therefore, that the export manager is really a general manager of the foregn division of the business, and in his own dominion must be as versatile and well posted as the gemoral manager of the entire business. In order that the export mander secure the best results, he should not be under the control or subject to the rules and regulations of the domestic exerotives. He should be given full athority to conduct export business independently and should stand or fall upon his own record.

## Question

Is this a valid argument for a separate control for domestic and export sales departments?

## Problem 5.5

## Coophration Between Domestic and Foreign Sales Departhents

A well-known sales and export manager lists the forms of organization for export which are to be found in accepted American practice.*
"(1) Management and immediate control of both export and domestic sales, with no titles indicating departmental leadership.
"(2) Management in immediate control, with staff containing neither sales nor export manager as such, but where titles are used to describe the activities of individuals.
"(3) Management in immediate control of domestic sales, with an officer of the company acting as a sales

[^11]manager, but with a titled export manager responsible for initiative and foreign sales.
"(4) Management in control of separate domestic and export sales, respectively, headed by a sales manager and an export manager with no common duties.
"(5) Management in immediate control of export sales, with domestic sales directed by sales manager with no export duties.
"(6) Management in control of domestic sales directed by sales manager; foreign sales under control of the sales manager.
"(7) Management in control of domestic sales directed by a sales manager; foreign sales handled by separate sales company.
"(8) Management in control of domestic sales directed by sales manager; export sales handled by branch house manager or managers located at seaboard cities. Branch house manager or managers under control of management on export activities.
"(9) Management in control of domestic sales directed by sales manager, who also directs foreign sales handled by branch houses.
"(10) Management in control of domestic sales directed by sales manager and management in immediate control; export sales handled by combination export manager, manufacturers' representative resident in United States, export commission houses, or combination export travelers.
"(11) Management in control of domestic sales and export sales directed by sales manager, who controls foreign sales handled by combination export manager and other agencies outside the enterprise.
"(12) Management in control of domestic and export sales directed by combination sales and export manager, his associates or assistants or both.
"(13) Management in control of domestic sales directed by sales manager: foreign sales rights sold to outside interests.
"(14) Management in control of domestic sales directed by sales manager; foreign sales rights sold to outside interests.
"(15) Management in control of domestic sales directed by sales manager; foreign sales rights sold to outside interests."

## Question

Which forms are to be preferred".

## Problem 56

Organization of Gales Promotion
Sales Remeapocif
The Hammond Manufacturing Company, located in Springfield, Massachusetts, manufactures a line of gauze bandages and absorbent cotton which is sold to hospitals, physicians, and the drug trade. The plant is systematically organized in accordance with the Taylor theories of scientific management. Accordingly, in the production department there is a high degree of specialization according to functions.

During the latter part of 1920 , the president of the Hammond Manufacturing Company informed Mr. Henry Johnson, sales manager, that the Taylor Society was to have a meeting in New York in December, at which the question of applying scientific management to selling was to be discussed, and suggested that Mr. Johnson attend the meeting.

Mr. Johnson, on returning to the office, submitted the following memorandum to the president of the company:

In the development of scientific management as applied to production, a cardinal principle has been the separation of the function of planning from that of performance. While the various advocates of so-callel "scicutific management'" have modified more or less the principles as enunciated by Frederick W. Taylor, this general division and the emphasis upon functional organization have been retained. The Taylor Society, an organization devoted to the furtherance of scientific study of management, has undertaken to promote the movement for the application of principles which have been successful in production management to the management of sales. As a first step, committees were appointed and an investigation made of representative sales departments. At a meeting of the Taylor Society, preliminary reports were presented by a committee on the organization and functions of the sales engineering department and a committee on the organization and functions of the sales operating department. These conclusions were briefly as follows*:
(1) The conditions or canses which have led to the establishment of engineering and operating as separate major functions in the production of products exist also with respect to distribution and indicate the necessity for the recognition of engineering and operation as major functions in the production of sales.
(2) Master planning and scheduling (an properly be considered sales engineering, delegating detailed plaming and scheduling as secondary functions of operation. If one concedes that the distributing organization is the one that usually and naturally originates projects involving the whole plant organization, then it becomes obvious that a research and master planning and scheduling function must have a close and sympathetic relation with the distribution organization; hence the choice of the name "Sales Engineering" for this major function.
(3) The sales-engineering function presents at least three distinct phases:
(a) Field research.
(b) Technical assistance.
(c) Master planning and scheduling.
(4) It should be recognized that the major functions of sales engineering is to analyze, plan and schedule future projects and that the planning and scheduling of current projects is a function of the operating divisions.

[^12](5) Selling serms to break down into two major functions, distinct in their nature and in the type of personnel reguired for their performanere:
(a) The making of larger plath for the marketing of a product, imodring amalysis of the maket and the product, the preparation of master sehedules, and the coordination of production, fimancial and selling resources; called sales Engincering, Sales Planning, Merchandising, Merchamdise ('ontrol, ete., and in many instances cared for hy advertising or selling agencies:
(b) The actual conduct of the selling operations, involving the detailed plaming of selling operations, the selection, training and direction of the sales force, the detailed plaming and conduct of selling operations when salesmen are not used, and all contacts with the customer; called in this report "Sales Operating."
(6) Sales Operating seems to hreak down into two principal functions:
(a) The detail plaming for the preparation of materials and for the supervision and control of all elementary selling processes. (This function breaks down into elementary functions or processes.)
(b) The actual conduct of sales operations in accordance with the plamning and control established in 6 (a). This function also breaks down into elementary functions and processes.)

This report is concerned with 6 (a) only; investigation of $6(b)$ is to come later.
(5) Conchasions (5) and (6) are the result of a study of a variety of selling departments and present functions which seen to be inherent in selling; they are not, however, recognized by every selling orqamization and their excoution provided for hy functionalized parts of the organization. In one organization one or more functions, in another organization other functions, are recognized and defined.
(8) Taylor has shown by his work in production that proper results can be brought about only hy systematized -not systemized-work, in which plans, functions, duties and execution are all clearly defined. This is what your committec desires to see done for selling.
Organization for sales research, sales plaming, and sales promotion is, of cour*e, a (omparatively recent development. Both in function and in relationship to the sales and
other departments, existing practices reval wide dilferences of opinion as to sales research and sales-promotion departments. While in Cleveland, a nationally prominent rubber manufacturer told me that he has a separate statistical department and a promotion department for each of the three lines of his product, with a vales-promotion representative in each branch. On the other hand, a mamfacturer of watches and clocks stated that he platers all salles research, sales plaming, and sales-promotion activities under the direct care of the marketing manager. The salespromotion manager of a very large paint-matnufacturing concern gives the following ontline of the organization and function of his sales-promotion department.*

Roughly classified, the work of the sales-promotion department embraces the following divisions of classifications:
(1) Organization.
(2) Development of new markets.
(3) Increasing the business of established trade.
(4) Sales-research work.
(5) Sales investigation.
(6) Departmental details.

We have an extensive sales-promotion organzation and intend it to grow still larger. At present we have 11 distinct and separate sales-promotion departments located in the following cities:

| Boston | (Tincimnati | Kansas City |
| :--- | :--- | :--- |
| Newark | Chicago | Dallas |
| Philadelphia | Minnoapolis | San Franciseo |
| Cleveland | St. Louis |  |

Each organization has its limitations and no sales-promotion department can give individual attention to more than 50 traveling representatioss and 750 dealers. When I mention 750 dealers, I am talking about 750 towns in which we are represented by dealers, becatuse our proposition embraced agency requirements and a great many of our products are sold to only one merchant in the ordinary-size town of less than 25,000 .

Why do we have 11 district sales-promotion departments, and not one located in our main office? The reason is obvious- the sales-promotion department in Cleveland cannot be in touch with the needs of our Pacifir Coast trade and cannot give our representative on the Pacifie Coast personal and special attention. Neither can the Newark

[^13]salespromotion department serve the Cleveland district trade and representatives with the assurance of $100 \%$ efliciency and results.

The mamager, of course, has complete supervision of his department. He is resomible for starting new campaigns decided on ly headguaters. He works in a special way with the representative and frequently goes out with them on sperial assignments.

The chicf elerk is remonsible to the manager for the detail and peremon of the department. He reads the representatives call reports, does promoting off these reports and handles all, other work in comection with the representatives. The chief clerk must be a good correspondent, because he does a great deal of letter writing.

- The record derk does all posting of call reports in the call books, tacks the maps and makes out special reports required by the sales managers.

The sales statistical derk posts and classifies all sales made in the district. A sales-promotion department without a somplete, up-to-the-minute sales record of every customer is like a ship without a rudder-it camot operate efficiently.

The advertising clerk is responsible for the condition and extent of the stock of advertising kept at the district warehonse. Let me explain that our sales-promotion organization is responsible for all advertising features the minute they are through production. This includes folders, booklets, displays, window trim, newsaper electros, ete; in fact. every feature protuced comes under our control. This enables us to use these aldertising features to sell from and insures the trade's getting enough advertisingnot too much nor too little. Our representatives order the advertising to be sent to their dealers-the advertising clerk is responsible for seeing that the features to be sent are in stock.

The advertising stockkecper fill: the advertising ordersimprints, folders, ete.-and keeps the stock in good, usable condition.

The mechanieal cleck operates such devices as the addressograph, multigraph, mimeograph, et e., which are constantly used in getting out our sales-promotion ketters and literature.

Stenographers and typists are, of course, necessary and the number is increased in busy seasons and cut down between seasons.

This is a brief elescription of each of our district organizations. The manager, chiof clerk, advertising clerk and advertising stockkeeper are men-the rest, women.

The district sales-promotion departments report through the district manager to the general sales-promotion department at Cleveland, which is responsible to the general sales manager. The sales-promotion departments have no connection with the advertising department.

I believe that it would be advisable for us to have a salespromotion department and do sales researeh work. I have not, however, settled in my own mind whether it would be consistent with the functional organization principles that exist in our factory to combine sales research and salespromotion artivities in one department. However, I should like very much to start a sales-promotion department, and I think for the time being, at least, the sales research should be in this department.

## Question

1. Does consistent application of functional organization principles require separation of sales research and sales-promotion activities?
2. What should be the functions of the general sales-promotion department at sales headquarters?
3. To what extent can decentralization be carried?

## Problem 57

Organization for Sales Research
An automobile company has recently organized a commercial research department whose functions are stated as follows:
(1) To analyze existing routines or construct new ones for other departments at their request.
(2) To gather statistics bearing on the market in which this company buys and sells.
（3）To forecast eronomic eonditions in the market in which it huys and vells．
（4）To predetermine what the sales performances should he in the various dealers＇territories and as a whole．
（i）＇Fo analye the sales performanees of the various dealers and point ont fanlts and suggest remedies．
（6）＇To lay out the bomadaries of dealers＇territories along scientific lines．
（7）To gather information and work up ideas on the latest and best methods of merchandising the com－ pany＇s cars．

## Questions

1．Should these be the functions of every research department？

2．What omissions may be noted？
3．The ehart on page 125 illustrates the organization of the above concerm prior to the formation of the commercial research department．Where should the proposed research department be placed in the organi－ zation？

Problemas
Organization for Manighment of Creidts
The position of the credit manager in organization has by no means been standardized，but the two com－ mon practices are as follows：
（1）The eredit manager is placed under the treasurer or chicf financial officer of the concern，on the theory that the administration of eredits is a financial matter which can be best handled by a financial officer．

$$
\begin{aligned}
& \text { STOCKHOLDERS } \\
& \hline
\end{aligned}
$$

Athough it would be admitted by advocates of such a plan that the eredit department should not work counter to sales, it is felt that the removal of the credit man from the control of the sales mamager operates as a check upon the natural optimism of sales executives.
(2) The eredit manager is placed under the control of the sales exerutive, on the principle that the distribution of goods inchades not only the actual selling, but also delivery and the financing of sales, likewise the administration of credits and colleetions.

In a prominent organization, based upon functional principles. the credit matager is one of the staff of functional managers reporting directly to the president. He is assisted by the eredit men in the various branches operated by the eompany. He is distinct from the manager of finances. The organization of the credit department of this concern is shown below:


Question
Under what conditions is this organization practical?

Problem 59
Coordination of Sales and Production Departments
Not infrequently, manufacturing enterprises have been involved in serious difficulties because of lack of coordination of sales and production. This coordination must rest upon a satisfactory adjustment of sales and manufacturing effort, so that the product sold is satisfactory both in quality and quantity. There must be clear recognition on the part of the sales department of the advantages of mass production. On the other hand, the attempt of the production department to dictate to the sales department overlooks the obvious advantage the sales department possesses in enlarging market demand.

The Morgan Company, with plants in Newark and Buffalo, manufactures drop-forgings. Manufacturing is in charge of a vice-president under whom are the works managers. The distribution of the products is handled through the central organization in Newark by the vice-president in charge of sales. Due to the fact that both officials possess strong personalities, there has been considerable friction between the production and sales departments. In the fall of 1920 , when profits dropped and inventories seemed to pile up suddenly, a careful examination was made of the character of inventory. Analysis showed that for various items, of which six or nine months' supply would have been ample, there were supplies as measured by the average sales of the preceding five years sufficient for many years. The following examples illustrate a stock of a few sizes of drop-forged wrenches. These wrenches were kept in stock in the "rough" (i. e., after they had been forged and trimmed). They were also kept in stock and sold in "unfinished" condition, after undergoing milling and heat treatment. Further, they were stocked and sold in semi-finished and finished condition, which were merely two grades of polishing.

| Item | simply of Confinished | $\begin{aligned} & \text { Supply of } \\ & \text { semi-finished } \end{aligned}$ |  | Supply of Finished |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Nu. 14\% | Nome | 18 | months | 6 | months |
| No. 116 | 19 your: | 1 | monthes | 3 | months |
| No. 1.17 | 5 years | 10 | months | 6 | months |
| No. 118 | 2 yeurs | 5 | months | 18 | months |
| No. 149 | 31.3 years | 1 | Vears |  | years |
| No. 150 | 321.4 y 5 |  | yeats | 2 | years |
| No. 151 | 80 years | 7 | year: | 6 | months |

The ordering of these wrenches was in the hands of a middle-aged man who had been in the employ of the company for 10 years or more. He had a good memory and was thoroughly familiar with all the details in regard to the rates and manufacturing. Though he kept records in various books, which were so complicated that they were ahways a month or two behind, the placing of orders was based on his memory and judgment. In some cases in the past, the stock of a certain wronch had been exhausted and had been brought to the attention of the manager by the sales department. The manager had brought this man up on the carpet; and when he went back to his desk he had made up his mind that they would never catch him again on that wrench. Therefore, he placed orders for large amounts without realizing that the usage of this item was decreasing. This may have been the cause of some of the orerstocking of some of the items. In other cases this man's judgment may have been correct when he placed an order, but a new wrench which better satisfied the needs of the buying public was put on the market he his own firm or a competitor, thus rendering the particular wrench obsolete.

Still another cause of overstocking was that the foreman of the hammers was allowed to do very much as he pleased. If an order was placed for 5,000 wrenches and he found on completion of the 5,000 that he had enough bar stock on hand to make 2,000 more, he would go ahead and forge them in order to clean up
the odd lots of bar stock. Of course, he knew nothing about the usage of these wrenches.

A little study showed clearly that the economies realized by the foremen through economical runs were much more than offset by the expense of storage, interest, insurance, and depreciation which must be carried in these items at a time when there were many other demands for this capital. While the unusually strong financial position of this company will probably enable it to stand the strain, the board of directors has determined that some arrangement must be made whereby reasonable coordination of sales and production will be secured.

They realize that the organization should adopt certain measures to reorganize the stores system, but they feel that the necessity for coordination should be emphasized also by a change in organization directed toward filling the gap between production and sales departments. Two suggestions are offered:
(1) The appointment of a coordinating official, who may be a merchandising manager having charge of specific stocks or lines, getting contact with the sales department through meetings with sales officials and through actual contact with customers on the road; in other words, a man who shall have charge of stocks and approve all orders involving increase in stock or change in specifications from standards adopted. The president suggests, however, that this coordinating official be made a staff assistant to the president, reporting directly to him, and transmitting orders as orders of the president to the officials concerned.
(2) That increase of stock limits and changes in specifications or addition of new products be made subject to committee decision, the committee to consist of the production manager and superintendent, the president, and the sales manager.

## Questions

1. Which plan is preferable?
2. What other measures are required to bring about a healthy condition?

Probleak 60<br>Relation of Thaffie Depaletment to Sales (briantation

In concerns which have traffic departments there frequently arises the fuestion of organization as to whether the traffie department is to be subordinated to the sales department, to the purchasing department, or otherwise disposed of. In business organizations, examples can be found of all methods.

The Bowman Company, manufacturing pipe fittings, pipe wrenches, threading tools, and valves, maintains a traffic department nominally under the direct control of the president, but actually reporting to the vicepresident in charge of sales. It assists the purchasing department in tracing shipments.

The Brownle concern, manufacturing engine lathes and metal planers, has simply a shipping department subordinate to the office manager, who in authority is subordinate to the treasurer and coordinate with the sales manager.

The Matheson Company maintains a traffic manager reporting to the sales manager in connection with outward shipments and to the purchasing agent in connection with most inward shipments.

A company manufacturing electrical heating devices has the following officers reporting to the general manager: sales manager, chiof enginecr, chief accountant, chief nurse, production superintendent, purchasing agent, order-department clerk, chief inspector. It is to be noted that packing and shipping are placed under the order department, which reports independently of the sales manager or purchasing agent directly to the general manager. In this concern, the head of the order department, who has been acting as traffic manager in addition to general direction of packing and shipping, has resigned and opportunity is given for reorganization if desired. The company has grown large enough so that it might be possible to establish a traffic department, if it seemed necessary, or to assign to a reorganized order department a man with some
training in traffic management. The product is sold to dealers and through electric light companies all over the country.

While legally most companies relinquish liability on goods after securing a bill of lading, many concerns undertake to handle such claims for customers upon receipt of proper vouchers.

## Questions

1. Should the handling of these claims be the work of the traffic manager or of the individuals in the sales department who ordinarily handle claims and adjustments of other types?
2. Should the traffic manager be controlled by the sales department, the production department, or be otherwise placed in an organization?

## PART III

## SALES PLANNING AND RESEARCH

## PART III

## Sales Planning and research

## OU'TLINE

A. Sales Researcil and Sales Planning.

1. Scope of research.
(a) Adaptation to individual enterprise.
2. Methods of research
(a) Desk versus field research.
(b) Sources of information.
3. Sales research as a basis for major and minor policies.
B. Research and Analysh of Products.
4. Analysis of present products as to quality, durability, style, uses, trade, and consumer reactions.
5. Analysis and selection of selling points.
6. Selection of styles or models through addition, elimination, or change.
7. Standardization of products and styles.
8. Seasonal factors affecting product.
9. Selection of products to offset seasonal demand variation.
10. Research and analysis of competitive products and substitutes.
11. Plaming of containers and methods of packing.
C. Market Researci and Analysis-Demand.
12. Actual and potential demand for product.
(a) Volume, location, and nature of demand.
13. Stability of demand.
(a) Economic, financial, scasonal, and other factors affecting demand.
14. Extent and nature of competition in its influence upon demand.
15. Requirements for satisfaction of demand with respect to delivery.
D. Market Resbarcil and dNalysis-Reaching the Mabke:T.
16. ('hammels of distribution.
(a) Analysis of present practices; advantages amd dixalvantanes.
(b) Selling direet versus selling through middleturn.
(c) Determination of types of distributors required.
17. Researeh amb amalysis of data to determine prospertive consmmers, proseretive retailers, jobbers, or other sates agencies.
18. ('omeration of pervonal salesmanship and advertisinc.
(a) ('hoire of methots in effertive combinations of persomal saldemanshipandadvertising.
E. Resbarch and Phaning in Manafiment of Sales Force:
19. Districting of sales temitories.
(a) Basis for laying out districts.
(b) Methorls of plamming sales territories.
20. Assigmment of quotas for sales districts and salesmen.
21. Routing salesmen.
22. Plaming of equipment for salsmen.
i. The sales manual; purpose, content, preparation.
23. Plaming methouls of stimmlation.
(a) Sales contests.
(b) Sales conventions.
24. Plaming mothods of control.
(a) Report methods; home-ofliee records.
(b) Control of branch manager.
(c) Control of salesmen.
F. Research and Phanving $1 \times$ Advertising.
25. Plaming of alvertising rampaign.
26. Plaming tealer helps.
(a) Cooperative advertising with dealers and agents.
27. Plaming catalog and other product literature. 4. Plaming exhibits.
(i. PlanNiNg and sidedtlang Ordera and Deliveries to Sectre ('oombNation of sales and Production.
H. Planning a Complete sales Campaign.
28. Elements of complete sales campaign.
29. Coordination of plans for constituent parts of campaign.

## GENERAL QUESTIONS*

## A. Sales Research and Sales Planning.

Is sales research possible for the small enterprise? How can the small enterprise get facts upon which to base its policies and operations?
To what extent is it advisable to make appropriations for sales research? Are the results of sates research of sufficient value to a business concern to warrant maintenance of research department with field investigators? When and to what extent should independent investigators be utilized?

What type of information can be secured through desk research? What are the limitations of desk or library research? What are the sources of information for all industries; for particular industries? When should the questionnaire be used? How should the questionnaire be formulated?

When should field rescarch be used? What are its advantages and disadvantages? What should be the qualifications and characteristics of field investigators? How can the results of research be tested for accuracy?

## B. Research and Analysis of Products.

How can the manufacturer test his products as to quality and durability? How can the manufacturer learn all the uses of a particular product so as to increase the field of demand?
How is the manufacturer to learn the reaction of deaters and consumers toward quality, durability, and style of the product, except as reflected in sales?
How are the solling points for a product to be determined? Which are to be selected for emphasis?
What information is needed to determine the policy as to selection of styles or models, and where is this information to be secured?
How can research and analysis assist in determining the effects of standardization of products and styles upon sales?

What information is needed to determine methods of offsetting seasonal variations of demand?
How are containers and methods of packing to be planned?

## C. Market Regearcil and Analysis-Demand.

What is the artmal and potential demand for the product as to volmme of demand, location of heyers, and elasticity of demiand?
Is the demand stable or is it affected by financial, seasonal, or other factors?
What are the extent and nature of competition?
What are the requirements for the satisfaction of demand with respect to delivery?
D. Market Research and Ivalysis-Reaching the Market.
How are present distribution practices for particular products to be determined?
What data are required for determination of policy as to sale through middlemen? How are data concerning prospective consumers to be secured?
How is a manufacturer to obtain detailed information as to retailers, johbers, and other sales agencies which are to handle his product?
E. Research and Planning in the Management of the sales Force.
How should sales districts be laid out? What should determine the number of sales districts? What considerations affect the division of sales territories?
With a given number of salesmen and a given number of customers, how are salesmen to be routed?
Should quotas for sales be assigned to salesmen or to sales districts established for the business as a whole? If so, what should be the basis of assigmment of quotas to districts? How should guotas be made up for salesmen?
What equipment is necessary for salesmen? How should it be planned?
What is the purpose of the sales manual? What should be its content" Should a standard sales talk and demonstration be included? How should the sales manual be prepared?
What plaming is necessary for sales contests?

To what extent is planning necessary for sales conventions? How are reports and methods of control of salesmen, branch managers and other officials to be planned?

## F. Research and Planning in Advertising.

How can an advertising campaign be planned? To what extent is this planning the function of the sales department; to what extent that of the advertising agency, in cases where the preparation of copy and management of space are not handled by the concern itself?
What planning is necessary to secure the best results from dealer helps?
How can planning be applied to the preparation of catalogs and other product literature?

## G. Planning and Scheduling Orders and Deliveries to Secure Coordination of Sales and Production.

How may planning and scheduling be applied to orders and deliveries so as to bring about coordination of sales and production?
To what extent can Taylor methods be applied?

## H. Planning a Complete Sales Campaign.

What are the elements of a complete sales campaign?
How should a sales campaign for a given product be planned?
How are periodical advertising, dealer helps, and personal salesmanship to be correlated and coordinated in a sales campaign?
What research is necessary to provide a basis for an intensive selling campaign?
*For information upon research and planning as applied to sales, cf. C. S. Dunean, Commercial Research, Maemillan Company; J. G. Frederick, Business Research and Statisties, Appleton; J. G. Frederick, Modern Sales Management, Appleton; J. G. Jones, Salesmanship and Sales Management, Alexander Hamilton Institute; M. T. Copeland, Business Statistics, Harvard University Press, Chapters II, III, and V; A. W. Shaw Company, Selling Series, Graphical and Statistical Sales Helps; Bulletins of the Taylor Society, December, 1920, and April, 1921. Since much of the material in sales research and plaming is of a statistical nature, the general works upon statistical method will be found helpful. Among these may be mentioned Horace Secrist, Statistics in Business, McGraw-Hill Company; Horace Secrist, An Introduction to Statistical Methods, Macmillan; W. I. King, Elements of

## Pronishem 61

Scope of sales Regentech and Planning
The special committee of the Taylor Society upon Organization and Functions of a Sales Engineering Department advocated in its report the recognition of the "sales enginecring" functions as distinguished from sales operation. Briefly smmmarized, it was declared that as a field research function sales engineering might render serviee in determining the addition or elimination of products, changes, standardization, present and new uses, scasonal and territorial factors, trade reactions, and competitive products.

In discussing technical assistance offered by sales engincering, the committee reports as follows*:

The range of research and other activities involved in sales engineering is indicated by the following synopsis; it is possible that in a large organzation some of them may assume such importance as to be recognized as separate functions:

Proncets:

Types and sizes
Selection
Standardization
Approval
Finishes
Suggestion
Standardization
Approval

Markings
Selection Standardization
Approval
Packing
Wrapping
Put-ups
Containers

Suggestion<br>Standardization<br>Approval

Nitatistical Methorl, Macmillan; Tippor, Hollingworth, Hotchkiss and Parsons, Advertising: Its Principles and Practice, Ronald Press Company. The Dartncll Corporation has issued reports upon fixing salesmen's fuotas and upon the preparation of sales manuals; Modern Sales Organization, mulnshed by the Dartnell Corporation, also contains a discussion of distrieting of sales territory. Among the more general works, ef. C. S. Duncan, Marketing: Its Problems and Methods, D. Appleton d Company, Chapters N1II. XIV, and XV. Numerous articles dealing with sales planning and sales researel are to be found in Printers' Ink, System, Sales Management, S'ales Manager, Advertising atul Selling. F'or partial list of titles see Bibliography.
*Bulletin of the Taylor Society, December 1920, Vol. V, No. 6, p. 236.

Advertising:
Competitors' activities
Prices
Trade customs
Seasonal factors
Territorial factors
New markets
Trade reactions
SELLing:
Prices and Margins
Salesmen's Compensation
Investigation of methods in practice
Suggestions for alternative methods

Selling Equipment
Salesmen's
Design or selection
Dealers'
Suggestion
Design
Seasonal Factors
Territorial Factors
Determine limits and causes therefor
Suggest methods of overeoming

Trade Resistance
Determine causes
Suggest methods of overcoming

Economic Factors or Trends
Ascertain
Report probable influence
Suggest methods of overcoming

Sales Service:

Ascertain deficiencies
Suggest remedies
Suggest other service activities

Markets or Sales Fields:
Report changes
Discover new markets
Suggest new policies or methods

## Competitors' Activities:

Watch and report
Suggest methods of combating

Trade Organizations:
Report activities
Determine possibilities of cooperation
Report probable effect on sales policies

Legislation :
Watch and report Suggest necessary action


## (omplaints:

Analyze
suggest necessary action Compile records

Lastly, it is asserted that sales engineering should become the coordinating function of the entire business, including in part the activities of plamning types, sizes, materials, finishes and packing for new products, planning and scheduling production requirements, marketing policies and methods, sales service, advertising policy, and physical distribution of goods.

## Questions

1. Which activities require field work in order to obtain results of value?
2. Which activities are possible for the small organization?

Problem 62
Sources of Information
The following brief list of printed sources of business and statistical information and analysis contains material which may be of use to the sales department, either in determining major policies or in detailed planning and analysis for the execution of master plans. Become acquainted with each one of the sources, show in each case the specific use or lack of usefulness for the sales department of :
(a) National Aniline \& Chemical Company;
(b) Robert H. Ingersoll \& Brother;
(c) Allis-Chalmers Manufacturing Company;
(d) W. K. Kellogg Company;
(e) Goodyear Tire \& Rubber Company;
(f) Other concerns in which you are interested.

In each case, secure information as to the size of the company and the general character of its business from Moody's Manual or other sources.

Reports of organizations which compile and analyze current statistical and business data to determine trend of business:

Harvard Committee on Economic Research, Babson Statistical Organization, ete.
Trade directories.
City directories.
Trade periodicals.
Newspapers.
Reports of trade associations.
F. W. Dodge \& ('ompany's reports.

Publications of the Department of Commerce.
Statistical reports by the Department of Agriculture.
Federal Reserve Bulletin.
Dun's and Bradstreet's reports.

## Problem 63

## Control of Aifertising:

The Hartney shoe Manufacturing ('ompany manufactures women's and misses' turns and welts. 'The (apacity of the factory is approximately 12,000 pairs of shoes per day. The eompany distributes its product through 20 retail stores which it owns and operates and through a mumber of exclusive agencies in towns having a population of 5,000 and over. Eighty per cent of its output is sold through the above chamels and the balanee to karger individual buyers, such as department stores and chain store companies. Of the sales to its exclusive agencies and owned stores, $60 \%$ are to its exclusive agents.

On Jime 1, 1918, the executives of the Hartney Shoe Manufacturing Company decided to discontinue their advertising department and have their advertising handled entirely by the s. B. Warren Advertising Agency. The window displays and cuts were to be distributed by the Hartney Shoe Company under the supervision of the sales manager. On August 1, 1918, it was decided to start an advertising campaign. One feature of this campaign was to be a comparison of the rate of stock-turn for their shoes with the rate for the other lines carried by their agents. The demand that existed among the individual consumers for their product as compared with the demand for the other lines was also to be shown. The Hartney Company decided that to obtain the information needed for these features it would be necessary to send out field agents and to mail questionnaires to its agencies.

After the plans for this research were formulated, the S. B. Warren Company stated that they would mail the questiomnaires and have the field work done by their representatives; that the results would be compiled in their office and submitted to the executives of the Hartney shoe Manufacturing Company for their consideration before the advertising copy was approved.

## Question

Should the executives of the Hartney Shoe Manufacturing Company have endeavored to install any method of controlling this research work?

## Problem 64 <br> Desk Versus Field Researci

A definite problem, which frequently confronts a company manufacturing a large line of products, is to ascertain the causes for the slump in sales of any particular line.* A paint-manufacturing company, with thousands of articles in its line, has for many years used paid investigators for the purpose of making its more general investigations upon which changes in sales policy and sales plans are based. To check up certain sales plans the trained investigator is sent out to customers to secure answers to the following questionnaire:

What brands of sell?
Why?
Did you make comparative tests?
Yearly sales?
Who sells most _- in town?
Brand?
Percentage to painters?
Pereentage to home-owners?
What percentage ask for - by name?
What percentage without name?
What do you sell them?
Do large painters who use - - buy direct?
Do you sell the large painters who use the - ?
Is high-grade - sold in small cans?
Is there much demand for high-class __ in cities such as this? Is demand increasing?

Why is - so popular?
Price?
Discount?
Service?
From whom do you buy"?
Is price of our competitive material right?
What do trade say about it?
Were you in our position, what would you do to get - business?

[^14]How would you advertise our product?
To what class would you make the strongest appeal?
Architect? Merchant? Painter? Home-owner?
What pereentage - specified?
Brands?
What is feature most demanded-working or durability?
Does painter follow specifications?
Why have you never sold or used -_?
What kind of proposition would appeal to you?
If jobber, exclusive territory?
On your total - business, what percentage ask for first-grade, second-grade, and third-grade?

## Questions

1. Is the information here requested sufficiently valuable to warrant the expenditure necessary to make personal investigations in towns which may be considered typical?
2. How much of the information could be obtained without field work?
3. Assuming that the slump in sales was noticeable over the major portion of the United States, how should one get first-hand information?

## Problem 6.5

Use of Questionnatre*

The salesmen of a tin and enameled-ware concern were asked to fill out a questiomaire for each merchant visited. The questions were as follows:
(1) Get list of trade-papers dealer subscribes for.
(2) Find out which trade-paper he prefers.
(3) Find out what feature of trade-papers is of most henefit or interest to him.
"From Printers' Ink, May 18, 1916.
(4) Find out if they read trade-paper advertising.
(5) Find out if they ever order goods direct as result of trade-paper advertising.
(6) Find out how dealer feels toward houses who sell catalog house.
(7) Find out dealer's attitude toward parcel-post.
(8) Find out what dealer is doing to overcome cataloghouse competition.
(9) Find out if deater derives his trade in our line from middle-class women; if not, what class.
(10) Find out talking points which dealer uses in presenting our line to his trade.
(11) Find out if dealer marks goods in plain prices or blind figures.
(12) Find out if dealers keep their stock well swept and dusted.
(13) Find out system dealer has of marking goods; does he tag them or mark with crayon?
(14) Find out number of clerks dealer employs and about what he pays them.
(15) Find out amount of stock in all lines which dealer carries.
(16) Find out amount in tinware and enameled-ware line.
(17) Find out if dealer takes inventory once a year.
(18) Find out if dealer ever has sales for closing out dead stock.
(19) Find out if dealers who take inventory count in dead stock at purchased value.
(20) Find out what distribution -_ Ware has.
(21) See what competitors are doing in the way of advertising.
(22) See what prices our competitors are making.
(23) See what new improvements our competitors are putting on their goods.
(24) Find out if deater has ever done any advertising of any kind.
(25) Investigate crop conditions and see effect on dealer's business.
(26) Secure, as far as possible, copies of previous advertising done by dealer.
(27) Find out if dealer distributes direct literature to customers and prospective customers.
(28) Find out if dealer has mailing-list to whom he sents advertising literathere rembarly.
(29) Find out if dealer has speceial salles on any lines of merehamdise.
(30) Find out if deater prefers buying direct from mamufacturer or through jobber.
(31) See if dealer belieses in window trimming and does he have atmone cepectially fitted for work.
(32) Find out if doaler reads adrertising matter sent him or throws it into waste-hasket.
(33) Find out, if possible, average mumber of letters and circulars reeerod per day by dealer.
(34) ('olleet all literature you can, which is sent to dealers by mamfaturers of every line and send it in to us.
(35) Take pictures of good window trin, store arrangements and row which wather around the store when they are patting on spectial sale.
(36) Find out pereentage of profit which dealer takes on his goods.
(37) Find out dealer's expense for doing business and pereentage over this amount which he figures he ought to make.
(38) Find out whether or not he runs delivery wagon.
(39) Find out whether or not he has telephone and, if so, does he get much business over the phone.
(40) Find out whether dealer uses phone for soliciting business.
(41) Find out class of people living in each locality, their source of ineome, ete.
(42) Find ont mumber of rumal free delivery routes out of each town.
(43) Find out whether or not people of community are mail-order busers.
(44) Find out what color of enameled-ware housewife prefers.
(45) Find out exactly how housewife ask: for article in our line-by name of line, by utensil, by size of utensil, or how.
(46) Find out from women consomers of store what kind of advertising appeals to them-an offor of something for nothing, display of price, advortising of seasonable articles, appeal to wanity, to sense of utility, or to pocketbook.
(47) Is average hardware dealer very critical as to quality of goods, particularly enameled-ware?
(48) Does he make clams for damage on goods that have been damaged in transit against the R. R. company?
(49) Is he prompt in taking care of correspondence and does he appreciate and insist upon prompt reply to any of his letters?
(50) Does he expect to have his orders filled within a few days after they are placed?
(51) Does the average hardware dealer send in very many mail orders, or does he prefer to give his orders in person to a representative?
(52) How often shoukl the manufacturer have his representative call during the year with a line like ours?
(53) Does he include the freight which he pays on a shipment in his cost?
(54) When figuring his profit, does he figure this percentage on sales or on the cost or on invoiced price?
(55) Does he include anything for loss due to bad accounts when figuring expense of doing business?
(56) Docs he devote any time to educating clerks in salesmanship?
(57) Does he work up any sales schemes for increasing business?
(58) Does he check up cost or invoice prices with other prices quoted by competing manufacturers of another line?
(59) Does he push advertised brands?
(60) How does the average retail merchant look upon advertising?
(61) Does the average hardware merchant pay very much attention to our particular line?
(62) What does the average hardware dealer give preference to in the line that he "arries? Particularly the following: builders' hardware, furnace and hot-water heating, heating stoves and ranges, cooking utensils.
(6.3) Does the retailer like an f. o. b. destination price?

Salesmen were equipped with cameras and required to take pictures of dealers' stores, usually with staff posed in front of store; these pictures enabled correspondents to write more intelligently to dealers.

## Questions

1. Criticize the above questionnaire and instructions.
(a) From viewpoint of completeness and value to sales department.
(b) As to the advisability of using salesmen as investigators.
(c) As to feasibility of questiomatire method in this case.
2. When can the questiomaire be successfully used by a sales department?
3. What should be the principal characteristics of a questionnaire?

## Problem 66

Adapting Research to Specific Enterprise

## Questions

(a) 1. Would research be advisable for the Automotive Sales Company as described in Problem 325?
2. If so, what should be its nature?
3. Would the expenditure of $\$ 5,000$ for research be wise".

## Qucstion

(b) With the very limited resources of Mr. King, as described in Problem 18, is it possible to adopt scientific methods of research?

## Problem 67

Sales Research for Insurance Company
A large life-insurance company has recently established a sales-research department, with a view to studying the problem of selling its product, namely, life insurance. A letter of the director states: "This study will, of course, include an analysis of the market conditions, present and potential sales, and study of the various personnel problems, remuneration of salesmen, et cetera."

## Question

Assuming that no work whatever has been done in compiling information, with the exception of meager records as to sales and information drawn from the accounts, prepare a brief plan indicating the type of information which should be collected for the benefit of the insurance company and the methods which should be used in getting that information.

## Problem 68

Sales Research as Basis for Selling Problems and Methods
The Duncan Motor Truck Company, following the example of several manufacturers of motor trucks, has recently undertaken to reorganize to some extent its selling forces and selling policies on what has been called "the vocational plan." Briefly, the plan is to direct selling effort not to prospective truck purchasers in general but to such purchasers classified by industries which have essentially the same transportation problems. As a part of the plan, information which will make possible the most effective selection and utiliza-
tion of motor trucks for cach industry is collected by the central researeh department at the sales headquarters. This information is transmitted in part to branches, when general salesmen are asked to specialize upon particular groups of industries which may be centralized in the district. In the larger organizations and in the larger centers, this is of course possible; and, in fact, the idea of studying the problems by industries can be carried out to some extent even in the small organizations.

## Questions

1. Assuming that the idea is sound, how can the central research department of the Duncan Company cooperate with the branch office or with the dealer in selling trucks in a particular territory".
2. What should be the obligations of dealers and branches under the plan proposed?

Problem 69
Analysis of Product
A few years ago Printers'Ink published the following:



To what extent can this information be obtained by means of
(a) Laboratory tests;
(b) Trade and consumer tests;
(c) Printed sources of information;
(d) Field investigators?

## Problea 70

## Market Analysis for Felt

Felt is used as a component part of many finished articles of manufacture. Some of the products in which it is used are hats, tailored clothing, shoes, electric fixtures, furniture, automobiles, saddles, harness, and billiard tables. This is a very incomplete list of the products into which felt enters, the discovery of new uses being a matter of frequent occurrence.
J. D. Green, a large felt manufacturer, with sales offices in New York, found upon investigation in 1920 that his sales force was not reaching all types of manufacturers buying felt, while the new uses for the product which were continually coming to light often remained unknown to his organization for some length of time, since he had no systematic way of finding these out. In his distribution Mr. (ireen went directly to the consumer and did not make use of the felt jobber. It was necessary, therefore, that he should learn and seek out his own customers and potential markets.

## Questions

1. What methods should he have adopted to insure reaching all types of prospects?
2. What means should have been taken to learn the new uses of the product?

## Problem 71

## Market Analysis-Analysis of Selling Points

Mr. Simmons, an engineer connected with a company manufacturing machine tools, has perfected outside of business hours a device for lubricating overhead valves in the overhead-valve type of motor. It has been Mr. Simmons's experience with his own car that after a certain length of time the valves in the valve-in-head type of motor become somewhat noisy, so that the motor does not seem to be rumning so smoothly as when new. This, he says, is due partly to inadequate lubrication and partly to lack of certain minor adjustments. The latter trouble is easily remedied, but lubrication has furnished a problem for engineers for many years. It is estimated that the device could be
manufactured in quantities for about $\$ 15$. However, before capital is put into the manufacturing and marketing of the product, the prospective investors desire some assurance, first, that the product will do what is claimed for it; and secondly, that there is a market of sufficient size to warrant investment.

## Questions

1. What information is needed to give reasonable assurance?
2. Where and how is this information to be secured?
3. Assuming that it is decided to sell the product, how should the selling points of the product be analyzed and presented?

## Problem 72

## Analysis of Products

The Wyman Company, located in Rochester, New York, has for 50 years carried on a wholesale business in saddlery. Its market extends over New York State, Vermont, Pennsylvania, and into Ohio. Vermont sales are made through a special agent.

The company manufactures on a small scale a horse collar, which is considered better than competing products, because it is so made as to avoid the usual roughness in such products. Eight years ago, perceiving the increase in the demand for motor products and fearing a decline in demand for saddlery, a line of automobile accessories was added. At the present time, the annual sales of $\$ 500,000$ are divided about evenly between the saddlery and automobile accessories. Among the automobile accessories handled are two leading brands of nationally advertised tires. The president of the com-
pany is a man of sixty, who desires to retire. He is active head of sales, controlling the eight satesmen employed by the company and the smatl oflice organization, as well as other banches of the business.

Mr. John Monroe has been made general manager.

## (buestions

1. Should he phan to change gradually the line handled, or not".
2. If so, what changes should be made.
3. How should he go about determining in what lines the concern should sperialize".

## Problear 73

Abmition of New Lines
The Urquhart Manufacturing Company, manufacturers of pipes, valves, and fittings in steel, iron, brass, and other metals, found late in 1920 that by change in process of manufacture of a certain type of valve enabling steel to be used, approximately one-half of its mamufacturing capacity for brase products formerly used in this product would remain idle. The Urquhart plant as a whole, during the depression period, has been operating at a fraction of capacity. The manager realizes that preparations for occupying the brass manufacturing (apacity must be made, either through new products or through the increase in sale of goods already manufactured.

## Question

List the items of information which should have been in the honds of the managers in order to determine the new policy.

## Selection of New Products to Eliminate Seasonal Demand Fluctuation

The Dow Company manufactures and sells art novelties, chiefly tinsel merchandise. It has a number of distinct problems resulting from the seasonal nature of the business. Ninety per cent is Christmas merchandise, the sale of which is limited to four months of the year, while production consumes ten months. The product includes such articles as tinsel rope and string and Christmas-tree decorations. An attractive line of pottery is purehased and sold by the company; it is limited to a few patterns and serves as a gift in the Christmas season. The company distributes over the entire United States, selling to wholesalers and selected retail accounts. The selling season is from January to May, the trade being called upon as a rule once a year, except in the larger cities, where two calls a year are made. Due to the seasonal nature of the business, the company has a problem in recruiting and maintaining a sales force. Three executive members of the firm spend part of their time in selling; in addition, there are several salesmen devoting their full time to sales and seven salesmen carrying the company's product as a side-line.

Since the selling period is limited to four months, the salesmen must find a means of filling in the other months of the year. In spite of the irregularity of the employment, two men have been on the force for ten years, four for three years, and another for two years. The men who carry the product as a side-line, however, change frequently.

The managers try to use great care before giving any outside salesmen the opportunity to represent the company, because of the expense of making up sample trunks and the danger of poor representation. Salesmen are paidupon a contract commission basis, approximately $15 \%$ upon goods shipped. I drawing account up to $75 \%$ of the commission on sales is allowed, the remainder of the salary being paid at the end of the
year. The management continually faces the problem of preventing overdrawing of accounts by salesmen.

The officers of the company feel that new lines should be added to offiset the seasonal nature of their business.

## Question

How should they go about determining what prodnets to add to their line".

## Problen 75

## Researcii to Determine Effect of Standardbzation of Prodect

The Whiteman Company, of st. Louis, manufactures a trade-marked line of shoes for men, women, and children. The annual sales amount to some $\$ 15,000,000$. The production manager has been approached by the superintendent of one of the factories operated by the company with the proposition that his factory shall specialize in the manufacture of a certain mediumgrade type of men's shoe, namely, men's genuine Goodyear welt in B-E widths. These are to be made with genuine chrome gun-metal vamps, chrome matt side and top, and oak or fibre soles, only the three most popular lasts among staple lines to be used.

The superintendent has given some thought to the selling proposition. He clams that, since the factory will make only this one type of shoe, and the company by virtue of its large purchases of leather will secure lower prices on raw materials, and provided shoes are sold only in 2t-pair case lots to dealers, it will be possible to reduce materially the cost of production and realize economies in buying. manufacturing, and selling. On paper the proposition seems good to the president of the company, but he wishes to be assured more fully as to the possibility of selling the large
volume of shoes of one type which will be the result of such specialization.

## Question

What information would be of value to the president in arriving at a decision?

## Problem 76

Elimination of Odd Sizes and Styles
The Butler Company manufactures office equipment and is accustomed to carrying a stock of a large number of sizes of the various kinds; ordinarily, there are no less than 4,000 items in stock. Some of these are in constant demand; others are slow sellers. Salesmen are in the habit of stressing the ability of the company to fill all orders. If a buyer wants a cabinet of any size, he can have it. If it is not in stock, the manufacturer is quite willing to make it, and the price for the oddlength cabinet is not out of proportion to that asked for the standard length. Though the business is regarded as prosperous and its sales have increased from year to year, profits are not increasing. Because of this, a change in management has been made. The new manager recommends standardization and a material decrease in the number of items carried in stock. On the other hand, the salesmen declare that the business of the concern will fall off very considerably if the wants of customers are not satisfied.

## Questions

1. What facts should the sales manager use in order to support his recommendation?
2. Where are these to be obtained?
3. What action should be taken on this recommendation? Give reasons.

## Pboblem <br> 77 <br> Planning (ontainer

An attratotive carton has a distinct sales value apart from the trade-mark. Like a trade-mark, the value of the package multiplies with the increase in sales, atequiring a prestige similar to that of the trade-name. A poorly selected package may handicap to no small extent the sales of the good commodity; but a package that stimulates sales, even if only in a small degree, canses to diminish rapidly the initial unit cost and time spent in selecting it.

A manufacturer of food products plans to put on the market a package of macaroni under the firm's collective trade-mark. The usual method of selection has been that of having the officers of the company make the selection, choosing a package that they thought would pleare the public.

## Questions

1. Can you suggest any method whereby a more definite idea can be secured as to the most attractive package among a group of dexigns submitted".
2. What methods may be adopted by the manufacturers for keeping containers fresh and salable?
3. What requirements should a good container fulfil?

Probleal 78
Market Analysis
The first step in analyzing demand is to determine the classes of users and their buying habits with reference to a sperific line. The demand for commodities varies in extent from purely local to international. The busers in the market may be classified upon many different bases to facilitate determination of number of
prospective buyers for a given product. Age, sex, marital condition, wealth and income, occupation, nationality, all affect nature of purchasers and buying habits. For many articles, purchasers may be easily determined. For others, extended research may be necessary to determine where the prospective demand begins or what the limitations of demand are.

The following outline, published in Printers' Ink, is suggestive of the possible field of demand:

ANALYSIS OF POSSIBLE FIELD OF DEMAND


|  | Financlal, CuNblTION 】EPENDS 0 N. | $\left\{\begin{array}{l}\text { Crops } \\ \text { Mining } \\ \text { Manufacturing } \\ \text { Transportation Lines } \\ \text { Specalation } \\ \text { Professional semveres Rendered }\end{array}\right.$ |
| :---: | :---: | :---: |
| FIELI) | 'Tıswirenetatuos | Railroarls <br> Water Koutes Trolley <br> W:agons Patk Prains Length of Ilathl Ratres Mathod of Parking |
|  | Competituon | ( ) Hicered by old Men <br> OHicored by Yomag Mon <br> Ageresive <br> Lax <br> Long-cetablished <br> Newly ratablishod <br> Wealthy <br> \{ Limited Means <br> Their sales Plans <br> Their Alvertising (ampaign <br> Their Policy toward Customers <br> Their sales Foree <br> Their Credit Department's Attitude toward Customers <br> (Their Sales Manager |
|  |  | Questions |

What additional information, if any, would be required to analyze the potential demand for one of the following products: high-grade automobiles, unirersal joints wed in the manufacture of automobiles, rubber belting, men': work shoes. condensed milk, camed fruit, structural stecl, bindery twine, ginghams, high-grade carpenters tools, foundry products, dropforging., men's collars, houschold refrigerators, woodworking machinery, pianos, varnishes, fountain pens, sewing-machines, silver-plated flat ware, artificial limbs, surgical appliances, trpe-setting machines, confectionery, rubber tires, flour, locomotives?

## Problem 79

Research to Determine Stabhlity of Demind
The president of the Borden Shoe Company, manufacturers of high-grade shoes, stated in 1920 that his best market was in the South and that the negroes were accustomed to spend freely, buying the best grade of shoes. Although the sales were widely scattered, a large percentage was concentrated in southern districts. The efforts of the sales department were directed mainly toward maintaining business in that section.

One of the junior executives claims that the southern market is not a permanent one and that special effort should be directed toward building up the dealer organization and the sale of these shoes in northern territory.

The company operates three retail stores in New York, and their success demonstrates to the firm the style and quality value of the goods.

## Questions

1. Is the recommendation to concentrate efforts on northern territory sound?
2. What facts does the executive need to prove his case?
3. How can he get them?

## Problem 80

## Market Analysis for Auto Accessories

A company manufactures automotive equipment and specialties, such as electrical fittings, switches, and timers, also Ford parts. These specialties are designed particularly for Fords, but may be used on other ears in the Ford class.

## Questions

1. What information can be secured as to the market for such products?
2. How may the expense of a direct-to-consumer mail campaign be estimated?

## Problem 81

Market Analysis
A company which manufactures filing equipment and bookkeeping machines makes the following statement:

In round figures there are $1,240,000$ commercial houses, banks, institutions and hotels in this country that can use our products. We have boasted of 56,000 customers sold in two years. Our lists have an average of 10,000 possibilities per territory, but we average only about 200 customers per territory per year. The highest sales volume last year was 320 customers. The following shows our activities in a fair provineial territory:

|  | Possibilities | We Sell | Yearly Sales |
| :---: | :---: | :---: | :---: |
| General Stores | 1,138 | 12 | \$ 900.00 |
| Retail Groceries. | 1.113 | 10 | 450.00 |
| Wholesale Ciroceries. | 271 | 28 | 3,200.00 |
| Retail Dry-Goods | 211 | J | 420.00 |
| Retail Drugs. | 432 | 5 | 190.00 |
| Retail Furniture. | 282 | 1 | 75.00 |
| Retail Lumber | 434 | 31 | 1,225.00 |
| Manufacturers | 8.45 | 7 | 2,325.00 |
| Retail Hardware | 293 | 18 | 950.00 |
| Retail Clothes. | 191 | 2 | 75.00 |
| Hotels | 65 | 3 | 190.00 |
| Garages | 248 | 4 | 425.00 |
| Banks. | 251 | 18 | 828.00 |
|  | 5,774 | 144 | \$11,253.00 |

## Questions

1. What conclusions, if any, can be drawn from these facts?
2. Are the "possibilities" of equal value?

## Problem 82 <br> Market Analysis <br> Questions

1. What methods should be adopted for securing mailing lists of prospective users and lists of dealers to be used in planning sales campaigns for the following concerns?
(a) Manufacturers of interior telephone and signaling equipment.
(b) A cigar manufacturer who plans campaign in Illinois.
(c) A manufacturer of automobile trucks.
(d) A manufacturer selling snap fasteners.
(e) Manufacturer of non-glare lenses for automobile headlights.
(f) Manufacturer of farm tractors.
2. How can mailing-lists be kept up to date?

## Questions

3. To what extent and under what conditions can a mailing-list be used in the following cases?
(a) Planning advertising activities.
(b) Establishing a salesman's quota.
(c) Locating factory branches.
(d) Appraising the possible yield of territories.
(e) As a means of establishing jobber connections.
$(f)$ As a means of control of salesmen.

##  <br> Markey Reached by . Amperthang:

The statement hats been made that the maximum market which it is possible to cultivate by advertising for most medimm and high-grade goods may be calculated as follows:
(1) Take the number of whan families of white blood in which one or both parents were born in the United States:
(2) Add $5{ }^{\circ} 0$ of resulting figure to above to include suburban residents, classed as rural;
(3) Add $30^{-}$of rural white families in which one or both parents were born in the United States, because these are susceptible to urban trade influences;
(4) Deduct $50 \%$ to eliminate those with insufficient incomes.

## Question

Criticize the method and its results as applied to the year 1920 .

## Pizoblem 84

Market Anhmin for Staple Product ind Spechaty

## Questions

Select one staple product and one specialty. For each, prepare a market analysis, securing information upon the following points among others:
(1) The exact sources of population statistics applicable to this particular analysis.
(2) The exact sources of information as to retail dealers, directories, etc.
(3) The exact sources of information as to jobbers, wholesalers, and other agencies.
(4) The exact sources of information as to prospective purchasers where possible.
(5) Sources of information upon buying habits of consumers.
(6) Sources of information upon competitive products and competing manufacturers.

## Problem 8is

Avalysis of Market for Turbines
According to a newspaper report, plans are being made to market a new invention in the way of a reversible turbine, for which is claimed the possibility of revolutionizing present methods of driving big ships. The value of the invention is said to be in the fact that the blades will be confined to one section, instead of two, as now prevalent, with power to reverse the movement of ships almost immediately, without the loss of time, pressure and velocity.

The invention is that of Fausto Pedreira Machado, a Brazilian, now a resident of this city (New York), who was sent to this country by the President of Brazil to find a market. The result was the incorporation in Delaware of the American Machado Turbine Corporation, with a capital of $\$ 1,000,000$ and headquarters at 111 Broadway. The invention was patented in this country on November 30, 1920, and it is stated plans are being formulated to establish a manufacturing plant in the vicinity of New York.

## Question

How should the officers of the company go about getting information relative to the market for the product?

## Probleay 86

Market Avalysis-Work Garments
For cight years the Higgins Company has manufactured a line of work garments, specializing in one-piece work suits, or jacket with pair of overalls combined. Samples of this garment were first placed in the hands of salesmen in Jamary, 1913. During the year there were sold only 118 dozen. By the first of January, 1914, it was virtually decided to discontinue the garment. In March, 1914, calls began to come in for more of the combination garments. By the end of the year there were sold 4,800 dozen. The sales in succeeding years were as follows:

| 1915 | 10,500 dozer |  |  |
| :---: | :---: | :---: | :---: |
| 1916 | 66,000 |  |  |
| 1917 | 154,214 | " |  |
| 1918 | 190,000 | " | (not including those |
| 1919 | 260,000 | " | purchased by Govt.) |
| 1920 | 375,000 |  |  |

The development of sales in this garment proved of such proportions that the factories specialized in this particular line and new plants were opened in Topeka, Kansas; San Francisco, California; Cleveland, Ohio; Harrison, New Jersey; and Mimneapolis, Minnesota. The largest business, considering population, in the history of its development is secured from the state of Illinois, in which the concern was first located.

The regular line consists of eight numbers for men, three for youths, three for boys, and one for children, in the highest-grade, trade-marked line. There is also another line, which is described as inferior to the trademarked garments. The label does not bear the name of the company; much less yardage is used; it lacks not only the wearing quality, but the comfortable features of the trade-marked garment. It is made and sold for the purpose of meeting price competition where the better garment cannot be sold; the line is not sold except as a last resource. It was introduced in response to the insistent demand of salesmen for a line which could be sold in competition with mail-order houses in certain farming communities.

## Questions

1. Make a market analysis for New England for this company's line, with a view to determining whether or not a factory should be located there.
2. Should the company continue to handle the inferior line mentioned above?

## Problem 87

## Research as Basis for Distribution Policy

The Garvin Company manufactures various paper products, among which are featured a cup, a spoon, and a fork. These articles are made of fiber, cost little, and are to be thrown away after having been used once. The spoons and forks are sold exclusively in bulk, 500 in a package; the cups are sold in packages of 100 . The product is distributed through manufacturers' agents and wholesalers. There are three principal points from which the product is sold. A New York manufacturers' agent covers the entire eastern territory, with the exception of a few small New England cities in which the company sells direct to wholesalers. The Chicago representative is a wholesale paper concern with a territory comprising 12 middle western states. The third is a wholesaler located in Kansas City, who has been given the remaining states west of the Mississippi. In addition to the above, a few wholesalers represent the company in 10 of the smaller cities of the South.

The results have not been satisfactory. The goods were first placed upon the market in 1917, when the sales amounted to about $\$ 20,000$. In the following year, sales were trebled; in 1919, sales were double those of 1918. The volume manufactured and sold
is insufficient to keep the selling price low and yet leave a fair margin of profit. The company feels that the system of distribution requires revision and that a national sales organization and policies must be developed which will (quickly absorb daily maximum production of the factory and divert as little as possible of the working capital from production to sales expense.

## Questions

1. What information does the sales manager need in order to formulate new plans?
2. Where is this information to be secured?

## Problem 88

## Regearch to Determine Type of Dealer to Sell Product

The Cutler Company manufactures a patented tem-perature-retaining container, first introduced during the war when the Govermment bought the output for the purpose of packing and preserving food. The container is shaped like a long pail or bucket, light in weight, and made of paper and metal. It gains its power of preservation from a system of air cells on the top and bottom, so that outside temperature reaches the interior very slowly. It is made in one-quart and two-quart sizes, selling for $\$ 1.50$ and $\$ 3.50$ respectively. It is a development following the introduction of a vacuum model. It has a number of uses and will keep several kinds of liquids and foods in their original condition for several hours.

The officers of the company are confronted with the problem of marketing the product. While they realize that it may be sold by hardware dealers, druggists, and
others selling racuum containers, they feel that this is not so large a market, particularly for their product, as they desire. The suggestion is made that it be marketed not only through the ordinary type of dealer, but also through ice-cream parlors and ice-cream manufacturers, who would sell the product together with the ice-cream.

## Question

What information is necessary to determine the best policy for distributing this product?

## Problear 89

Research to Determine Distribetion of a Product
The Norton Clock Company manufactures clocks and sells them entirely through jobbers. Since clocks form only a portion of the line of the various jobbers and only a small part of the stock of any retailer, traveling salesmen direct to the retail trade to create a demand seem to be expensive and uneconomical. Nevertheless, since the clock manufacturer has been a consistent advertiser, he desires to know more about the distribution of his product than he does at present. While the volume of sales has grown from year to year, the sales manager feels that he is in the dark as to the possibilities of further increase and that knowledge as to distribution among retailers would assist him materially in planning for the future. Such information is necessary also for the proper direction of advertising.

## Question

What is the easiest method to determine the distribution of a nationally advertised, trade-marked article sold through jobbers where the salesman does not call on the retail trade?

## Probleay 90

## Analysis of Distizibution

Representatives of the Merchandising Bureau of the Baltimore News recently made a survey of the city to ascertain the market condition of cane, corn, compound and maple syrups and molasses in the stocks of various wholesale firms and retail grocery stores. Compilations of the reports show that there were about 20 brands in the stocks of retailers. The facts were presented as follows:

| Bramd | out of 100 <br> where sold | percentage of distribution |
| :---: | :---: | :---: |
| Golden Crown . | 97 | $97 \%$ |
| Karo. | 88 | 88 |
| Br'er Rablit. | 75 | 75 |
| Star Brand. | 19 | 19 |
| Log Cabin | 12 | 12 |
| Turkey Brand. | 7 | 7 |
| King | 5 | 5 |
| My Wife's. | 4 | 4 |
| Penn Mar. | 4 | 4 |
| Domino. | 3 | 3 |
| Mayflower . | 1 | 1 |
| Mountain Boy. | 1 | 1 |
| Palmetto. | 1 | 1 |
| Dew Drop. | 1 | 1 |
| Falcon. | 1 | 1 |
| Golden (iem. | 1 | 1 |
| First Prize. | 1 | 1 |

Orla Molasses, Old Time Molasses and Aunt Dinah Molasses are also sold in Baltimore, but seldom in warm weather. At the time of the survey, none of these was carried by any of the stores visited.

A second table was included, giving the activity rating, which it explained as follows: "Believing that the process of securing distribution represents about $60 \%$ of market cultivation, that the influences which establish a product as a leader in its line, though not less important, represent about $30 \%$, and that the class of retail outlets, their location, their relative value as outlets for the particular product under consideration,
represents about $10 \%$, these products have been computed on that basis. By way of illustration, let us suppose that Brown \& White have succeeded in getting an indicated distribution of $98 \%$, that their product is sufficiently well known and liked as to make it the best seller in 23 stores out of the 100 interviewed during an investigation, and that every high-class store in the city, including all of the downtown stores, carries it in their stock.
"The rating would be worked out as follows:

| Distribution | $.98 \%=60 \%$ of total $=58.8$ |
| :---: | :---: |
| Sales leadership | $.23=30 \%$ of total $=6.9$ |
| Class of outlets. | $.99=10 \%$ of total $=9.9$ |
| Sales ac | rating . . . . . . . . . . . . 75.6 |

According to this plan, the table showing the sales activities of table syrups in Baltimore appeared as follows:

| Brand | Number of times reported leader in 100 stores | Activity rating |
| :---: | :---: | :---: |
| Golden Crown. | 74 | 90.4 |
| Karo. | 17 | 65.9 |
| Br'er Rabbit. | 0 | 51.1 |
| Star Brand. | 0 | 13.1 |
| Log Cabin | 0 | 9.2 |
| Turkey Brand. | 1 | X |
| King. | 2 | x |
| My Wife's. | 0 | x |
| Penn Mar. | 0 | x |
| Domino. | 0 | X |
| Mayflower. | 1 | x |
| Mountain Boy. | 0 | x |
| Palmetto. | 0 | x |
| Dew Drop. | 0 | X |
| Falcon. . | 0 | x |
| Golden Gem. | 0 | $x$ |
| First Prize . | 0 | x |

(The sign x indicates a rating of less than five.)

## Questions

1. What conclusions are to be drawn from the viewpoint of the American Sugar Refining Company, manufacturing Domino Table Syrup'?
2. What further information would be desirable for the Corn Products Company, manufacturers of Karo Syrup, in order to determine whether the situation in Baltimore is satisfactory".
3. Would it be profitable for the Com Products Company to undertake a similar survey through special agents for the larger cities of the country?
4. Criticize the activity rating as an index of distribution.
5. What measures must be taken in order to secure results that may be regarded as significant?
6. Assuming that the 100 store: chosen for investigation contributed a fair sample from a statistical standpoint, what is the significance of $88 \%$ distribution for Karo syrup?

## Problem 91

Research to Determine Status of Distribution
A cooperative fruit growers association, located in the state of Washington, sells most of its crop in the big consuming centers of the East. In discussing the new advertising campaign, the sales manager said:

We have often wondered if the retail merchants were really pushing the sale of boxed :aples as much as they might. You no doubt have heard western apples eriticized, because some particular castern friends have made statements somewhat as follows: ' Dhthough ther look nice, they don't taste like New York state apples.' ete. We have no figures on the margin at which our apples move, either
jobbers' or retailers', and this information would be very useful to us, especially since we contemplate in years to come doing considerably more advertising in the retail and jobbing field.

## Question

How could he get the information he desires?

## Probleal 92

Market Researcil
The Sanders Company, of Boston, was organized in 1920 to undertake the manufacture and distribution of a new photographic product. The company was in the hands of competent executives and had sufficient financial backing to adopt such methods as seemed best in order to develop the market. The management desired to make a careful analysis before launching the product which was planned for the latter part of 1921.

Briefly, the chief product of the company was to be a highly sensitized photographic paper on which pictures could be taken directly, thus eliminating the use of the film or negative. This paper was to be marketed in rolls suited for the various types of cameras upon the market. The promoters of the company laid emphasis upon the following selling points of the paper:

## 1. Speed in Getting Pictures

The development of the pictures was claimed to be both simple and rapid. Inasmuch as the necessity of printing from a film was climinated, greater speed in obtaining finished pictures was possible. A roll of pictures could be developed in five or ten minutes. This made possible much quicker results with amateur developers, and promised greater speed from trade finishers.

## 2. Reduction of Cost

It was estimated that the cost of finished pictures would be reduced for\% since the film and its finishing were climinater.
3. (Quality Rescuts in Picture 'Taking

Besides the paper the management also expected to sell the chemicals and apparatus necessary for developing pictures and a reproduction device whereby copies and enlargements of the original could be obtained.

## Question

What should have been included in the market analysis?

Problem 93
Research to Determine Method of Reaching Market
The Marshall Company has for a number of years manufactured steel office furniture and filing equipment. In order to increase its sales, it investigated the safe deposit box market, and conceived the idea of manufacturing them in units of standard sizes; in this particular, following the same idea that was used in their other metal office equipment. Their standard units consisted of boxes of different sizes which were perfectly aligned, were capable of performing the same task as built-in boxes, and cost from $331 / 3 \%$ to $40 \%$ less. They were as safe and secure as the old-style boxes and could be delivered in 30 days. The company is undecided as to whether it should attempt to reach users directly through the regular channels for office furniture.

## Question

What information can be secured to aid in deciding?

## Problem 94

## Sales Districts

The Northfield Manufacturing Company manufactures ventilating equipment for creameries, barns, and hog-houses. It is located in a small Wisconsin city. There are no branch offices. There is, however, an eastern representative located in New York City, who has a display room in the Cirand Central Palace. Through the central and northwestern states, such as Michigan, Ohio, Indiana, Illinois, Minnesota, Wisconsin, the Dakotas, and Montana, the company sells mostly direct to the dealer, though where no dealer is established sales are made direct to the consumer. Lumber dealers constitute the main distributors in the Middle West; while in the East, dealers who handle dairy supplies, barn equipment, and farm machinery seem to be better agents. Salesmen work out of the home office, covering both northwestern and eastern states. Mail orders are filled and solicited, particularly in the territories not covered by salesmen.

## Question

How should the company determine number and boundaries of sales districts to be established?

## Problem 95

## Sales Districts

No uniformity is followed by large enterprises in choosing sales districts, as is shown by the selection of four divisions for a company manufacturing an office appliance, sales headquarters at New York; five divisions by a manufacturing druggist, headquarters in the same city; six divisions by an office appliance manufacturer using Cleveland as a center; seven divisions
in the case of an office appliance company，with head－ quarters at Detroit ；nine divisions by a paint manufac－ turer，whose main sales oflice is located at Chicago； twenty－four divisions by a Milwatee company han－ dling gasoline engines，factory and mill supplies；forty－ five divisions oflice appliance，headquaters Chicago．

At least four of the firms mentioned direct their selling efforts toward the same classes of prospects．

## Questions

1．What reasons may be assigned for the difference in number of districts＇hosen？

2．To what extent does the number of distriets chosen depend upon company policy with regard to control of branches and salesmen？

3．Is it advisable to depart from using state lines for delimitation of territories if number of districts is less than the number of states＂．

4．Why or why not？

## Probleak 96 <br> Redistricting Sales Teriritories

The Beaver Board Company manufactures and distributes paints and varnishes，blackboards，＂Vul－ canite＂roofing and a wall board extensively advertised under the name＂Beaver Board＂which takes the place of lath and plaster and makes the use of plaster unnecessary．According to 1920 statements，Beaver Board is distributed through 9,000 dealers in the United States and foreign countries．Sales offices in the United States are located in Albany，Buffalo，Balti－ more，Birmingham，Boston，Cleveland，Chicago，Cin－ cinnati，Detroit，Kansas City，Milwaukee，Minne－
apolis, New York, St. Paul, and San Francisco. The company has considered redistricting its sales territories on the basis of population, so that each district would comprise about $1,000,000$ inhabitants.

## Question

Take an outline map of the United States and divide into territories on this basis, indicating district headquarters.

## Problem 97

## Districting and Routing of Salesmen

The R. B. Randolf Company of Boston manufactures men's shirts and pajamas. It distributes its product directly to retailers, and in connection with this distribution the company carries on a wholesale business in men's furnishings. Goods of its own manufacture are sold chiefly under its own brand, though a dealer's mark is substituted if desired. The company's label is likewise placed on all articles in the wholesale line except those advertised by the manufacturers. The market of the company is the territory east of the Mississippi and north of a line rumning approximately from St. Louis to Washington, D. C.; $75^{\circ}$ of the total sales, however, are made in New England.

The company is an old, established concern that up to 1921 had seen fit to make but few changes in management or in its method of conducting business. Growth had been slow and steady, and the organization had remained almost intact; the turnover of the sales force had been small. In 1921, through the retirement of older members of the firm, a new management took charge. In the reorganization that took place at that time among other changes the new management desired to alter the system of districting and method of control-
ing the sales force in an attempt to secure a wider distribution.

When the new managment took charge, the sales foree consisted of 20 men, most of whom had long been in the employ of the company. They were paid on a flat commission basis, and each had his own set of customers. Bach salesman was zealous in his efforts to keep for himself these customers, because the commission from each account helped to swell his income. In the course of time the districting of salesmen in some places had become confused, so that erisserossing of routes wat not infrequent. In some instances three salesmen visited the same city. $A$ san example of the manner in which such a condition arose may be cited the case of one of the older salesmen who had worked up a list of customers in the larger cities of Massachusetts and Connecticut. He had neither the time nor the patience to take care of the small stores in these cities, so younger salesmen were permitted to enter there to care for the small accounts.

In June, 1921, the districting and routing was somewhat as follows:

Maine: 2 salesmen.
New Hampshire: 1 salesman. This man, however, risited several towns in Maine.

Vermont and Northern New York (Lake Champlain District): 1 salesman.

Boston and environs: 4 salesmen.
Massachusetts (outside of Boston District), Rhode Island, Connecticut: One salesman visited selected accounts in the larger cities. Four other salesmen had the three states roughly divided between them, but the lines of demarcation of territory were not at all clear and the routes crossed many times.

New York: New York City had a branch salesroom and 2 outside salesmen. One salesman covered the rest of the state with the exception of the northern portion and the larger cities. A member of the firm covered the larger New York cities such as Rochester, Syracuse, and Buffalo.


Maryland, Delaware, and Southern New Jersey: 1 salesman.

Pennsylvania and Northern New Jersey: 1 salesman.
Illinois, Wisconsin, and Michigan: 1 salesman.
Ohio and Indiana: 1 salesman.
The salesmen routed themselves and made no regular report to the management except for such notations as occurred on the order slips.

The new manager of the company desired to retain the same sales force but wished to install a more systematic method of districting and routing.

## Questions

1. Toward what plan of districting should the company work?
2. What measures should be taken to retain the good will of the sales force when a change is made?

## Problam 98

## Sabes Distrifting;

The Bond Billing Machine Company has its main sales office in New Haven, (ommecticut, with branch offices in ! 9 (cities throughout the United states, as well as in mumerous cities in forcign countries. Domestie sales are in charge of tha assistant sales manager under the general sales manager.

Previous to July, 192I, there were 19 sales districts in the United states, cach in charge of a district manager. Under each district manager were local managers in charge of sales and servicestations in the cities of his district. The district manager was responsible for the hiring and control of the sales force in his territory and for the supervision of local branches.

At the time stated, the district manager received his compensation through a commission on the sales in his district. After paying those subordinate to him he was left with about $5 \% 0$ commiswion on sales for his supervisory work. Out of this he had to pay the expenses of the district office, as well as his traveling expenses. During the war period and until the fall of 1920 this method of compensation proved satisfactory, since sales were large. When the depression came, however, the commissions were not sufficient to hold the services of a desirable trpe of manager. Moreover, it was fomen that the work in the districte was not sufficient to fully occupy the time of a district manager in supervisory work. Further, the districts were not large enough to justify maintenance of a training class of salesmen by each district manager to be in readiness for such racancies as occurred in the sales fores. In addition, the number of salesmen under each district manager was so small that if any one of them slumped in sales it materially affected the record of the whole district and correspondingly reduced the salary of the district manager.

In the light of these facts the domestic sales manager decided to redistrict the country, reducing the number of districts from nineteen to five. Such a reduction was
thought advisable inasmuch as it would enable the manager of the new districts, which were to be called divisions, to maintain a school for salesmen, while the duties would be sufficient and the compensation enough to attract men of high caliber. Moreover, such a scheme would make fewer reporting heads to the main office and would thus simplify control.

The map on page 181 shows the districts as they existed at the time reorganization was undertaken.

The list, beginning on this page, of the counties and states included in each district gives more in detail the actual territory included in each district, as well as the number of local offices. It will be noted that a number of states in the Middle West were controlled from the home office.

## District No. 1 (New England District) Boston-District Office

Territory: States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island.
Local Offices: Portland, Me.; Lebanon, N. H.; Springfield, Mass.; Worcester, Mass.; New Bedford, Mass.; Providence, R. I.

District No. 2 (Connecticut District) New Haven-District Office
Territory: State of Connecticut
Local Offices: Hartford, Conn.; Bridgeport, Conn.
District No. 3 (New York District)
New York City-District Office
Territory: Southern New York State-bounded by and including Counties Sullivan, Ulster, and Dutchess; Staten Island and Long Island; Northern New Jersey-bounded by and including Counties Ocean, Monmouth, Middlesex, Somerset, Hunterdon, Morris, Sussex; PennsylvaniaCounties Wayne, Pike, Monroc, Lackawanna, Luzerne, Wyoming, Sullivan, Columbiana, Montour, Northumberland, Lycoming, Clinton.
Local Offices: Newark, N. J.; Paterson, N. J.; WilkesBarre, Pa.

## District No. 4 (Northwestern District) Rochester-bistrict Office

Territory: All of New York State except southeastern corner south of Counties D) laware, (ireene and Columbia; Pennsylania - Counties Erie, Crawford, Warren, McKean, Potier, 'Tioga, Bradford, Susquehtmat; Ohio-Counties Lorain, Medina, Wayne, Summit, Stark, ('uyahoga, Lake, Geauga, Portage, Trumbull, Ashtabula.
Local Offices: Albany, N. Y.; Sytacuse, N. Y.; Binghamton, N. Y.; Utica, N. Y.; Buffalo, N. Y.; Erio, Pa.; Cleveland, Ohio; Akron, Ohio.

## District No. 5 (Phladelpha District) Philadelphia-District Office

Territory: Southeastern Pennsylvania-bounded by and including Counties Fulton, Huntingdon, Center, Union, Snyder, Juniata, Perry, Dauphin, Srhuytkill, Carbon, Northampton; New Jersey-Gouthern N. J., bounded by and including Counties Mererr and Burlington; also County Warren in Northern N. J.; Delaware-whole state.
Local Offices: Trenton, N. J.; Camden, N. J.; Wilmington, Del.; Allentown, Pa.; Rearling, Pa.; Harrisburg, Pa.

## District No. 6 (Pittsiburgh District) <br> Pittshurgh-District Office

Territory: Western Pennsylvania-bounded by and including Counties Mercer, Venango, Forest, Elk, Cameron, Clearfield, Blatir, Bedford; Maryland-Counties Garrett, Allegany; West Virginia - whole state except Counties Morgan, Berkeley, Jefferson; Ohio-Southeastern Ohio, bounded by and including Counties Mahoning, Columbiana, Carroll, Tuscarawas, (iuernsey, Noble, Morgan, Washington; Kentucky-Counties Greenup, Carter, Boyd, Lawrence, Johnson, Martin, Floyd, Pike.
Local Offices: Wheeling, W. Va.; Huntington, W. Va.; Youngstown, Ohio

Proposed Office: Johnston, Pa.

## District No. 7 (Washington District) <br> Washington, D. C.-District Office

Territory: State of Maryland-except Counties Garrett and Allegany; Virginia - whole state except following counties: Buchanan, Russell, Washington, Scott, Lee,

Wise, Dickinson; North Carolina-Northeastern corner, bounded by and including Counties Northampton, Bertie, Martin, Washington, Tyrell, Dare.
Local Offices: Baltimore, Md.; Norfolk, Va.; Richmond, Va.

## District No. 8 (Carolina District) <br> Charlotte, N. C.-District Office

Territory: North Carolina-whole state except northeastern corner bounded by and including Counties Northampton, Bertie, Martin, Washington, Tyrell, Dare; South Carolina-whole state.

Local Office: Greenville, S. C.
Proposed Office-Wilmington, N. C.

District No. 9 (Southeastern District)
Atlanta, Crorgia-District Office
Territory: Georgia-whole state; Florida-whole state; Alabama-whole state; Tennessec-east of Tennessee River; Kentucky-Counties McCreary, Whitley, Knox, Bell, Harlan; Virginia-Counties Buchanan, Russell, Washington, Scott, Lee, Wise, Dickinson.
Loca! Offices: Savannah, Ga.; Jacksonville, Fla.; Birmingham, Ala.; Knoxville, Tenn.; Nashville, Tenn.

Proposed Office: Montgomery, Ala.

District No. 10 (Cincinnati District)
Cincinnati, Ohio-District Office
Territory: Ohio-bounded by and including Counties Van Wert, Allen, Hardin, Marion, Morrow, Richland, Ashland, Holmes, Coshocton, Muskingum, Perry, Athens, Vinton, Jackson, Pike, Adams; Kentucky - whole state except Counties Greenup, Carter, Boyd, Lawrence, Johnson, Martin, Floyd, Pike, Harlan, Bell, Knox, Whitley, McCreary; Indiana-bounded by and including Counties Benton, Tippecanoe, Clinton, Tipton, Madison, Delaware, Randolph; Illinois-Counties Clark, Crawford, Lawrence, Wabash, White, Hamilton, Gallatin, Hardin, Saline, Pope, Massac, Johnson.
Local Offices: Columbus, Ohio; Indianapolis, Ind.; Evansville, Ind.; Louisville, Ky.

Proposed Offices: Dayton, Ohio; Lexington, Ky.

## Distrin"T No. 11 (('mileafo District) ('hicago, Illimos District Oflioe

'Tomitory: Illinois-bounded by and including Counties Stephenson, Ogle, Lee, Burean, Henry, Knox. Warren, Mrlonougla, Fiulton, Mason, Logan, Dewitt, Mclean, Ford, lroguois; Indiana north of and including Counties Newton, Jasper, White, ('arroll, Howard, Brant, Blackford, Jay; Michigan west of and inchuling Counties Chehoygin, ()twego, ('rawford, Roseommon, ( 'lare, Isabella, Gratiot, Clinton, Ingham, Jackson, IIillsdale.
Local Offeres: Lat Porte, Indiana; Kalamazoo, Mich.; Rockford, III.

Proposed Offices: Girand Rapids, Michigan; Fort Wayne, Indiana; Peoria, Illinois.

## District No. 12 (Detroit Distmet) Detroit, Michigan-District Office

Territory: Michigan-east of and including Counties Presque Isle, Montmorency, Oseoda, Ogemaw, Gladwin, Midland, Saginaw, Shiawassee, Livingston, Washtenaw, Lenawee.

Loeal Office: Bay ('ity, Mich.

District No. 13 (Milwaukee District)
Milwankee, Wis.-District Office
Territory: Michigan-northwestern part known as the Horn; Wisconsin-bounded by and inchuding Counties Villas, Oneida, Lineoln, Marathon, Wood, Jumean, Vernon.

Local Offices: Green Bay, Wis.; Madison, Wis.

## District No. 14 (St. Loels District) <br> St. Louis, Mo.-District Office

Territory: Missouri-cast of and including Counties Putnam, Sullivan, Limn, Chariton, IIoward, Cooper, Morgan, Camden, Dallas, Webster, Douglas and Ozark; Illinois-bounded by and including Counties Adams, Schuyler, Cass, Menard, Sangamon, Maron, Piatt, Champaign, Vermilion, Eflgir, Coles, C'umberland, Jasper, Richłand, Edwards, Wayne, Jefferson, Franklin, Williamson, Union, Pulaski, Alexander.

Proposed Office: Springfield, Ill.

## District No. 15 (Minneapolis District) Minneapolis, Minn-District Office

Territory: Wisconsin-bounded by and ineluding Counties Iron, Price, Taylor, Clark, Jackson, Monroe, LaC rosse; Minnesota-whole state; North Dakota-whole state; South Dakota-whole state except C'ounties Butte, Meade, Lawrence, Custer, Fill River and that part of Pennington County west of South Fork Cheyenne River; Canadaprovinces Saskatchewan, Manitoba, Ontario west of a line drawn from Melgund on the C'. P. R. at extreme north end of Lake Superior to the point where Missinabi River enters James Bay.

> Local Offices: St. Paul, Minn.; Winnipeg, Canada.
> Proposed Office: Duluth, Minn.

## Dintrict No. 16 (New Maven District) New Haven, Comn.-District Office

Territory: Louisiana-whole state; Mississippi-whole state; Tennessee-west of Tennessee River; Arkansus -whole state; Missouri-west of and including Counties Mercer, Grundy, Livingston, Carroll, Saline, Pettis, Benton, Hickory, Polk, Greene, Clristian, Taney; Kansas —whole state; C'olorado-whole state; Wyoming-east of and including Comties Big Horn, Washakie, Natrona, Carbon; Nebraska-whole state; South Dakota-Counties Butte, Meade, Lawrence, Pennington County west of South Fork, Cheyenne River, Custer, Fall River; Iowawhole state; Ilhinois - Counties Jo Daviess, Carroll, Whiteside, Rock Island, Mereer, IEenterson, Hancock; Ohionorthwestern part bounded by and including Counties Paulding, Putnam, Hancock, Wyandot, Crawford, Huron, Erie.

Local Offices: New Orleans, La.; Shreveport, La.; Memphis, Tenn.; K゙ansas City, Mo.; Denver, Colo.; Omaha, Neb.; Des Moines, Ia.; Davenport, Ia.; Toledo, Ohio.

District No. 17 (Oklatioma District)
Tulsa, Oklahoma-District Office
Territory: Oklahoma-whole state.
Local Office: Oklahoma C'ity, Okla.

## District No. 18 (Eastern Texas District) Dallas, Tex.-District Office

'Territory: Texas-east of and including Counties Hardeman, Foard, Knox, Haskell, Jones, Taylor, Runnels, Concho, Menard, Kimble, Kerr, Real, Uvalde, Zavalla, Dimmit, Webb, Zapata, Starr, Hidalgo, Cameron.

Local Offices: Fort Worth, Texas; Honston, Texas. Proposed Officr: Sin Antonio, Texas.

District No. 19 (Pacific States Division) San Franciseo, ('al.—District Office
Territory: Washington-whole state; Idaho-whole state; Montana-whole state; Wyoming-west of and including Counties Park, Ifot Springs, Fremont, Sweet Water; Utah -whole state; Nevada-whole state; Oregon-whole state; California-whole state; Arizona-whole state; New Mexico-whole state; Texas-west of and including Counties Lipscomb, Cottle, King, Stonewall, Fisher, Hemphill, Wheeler, Collingsworth, Childress, Nolan, Coke, Tom Green, Schleicher, Sutton, Edwards, Kinney, Maverick; Canada-Provinces of Alberta, British Columbia, Yukon.
Local Offices: Oakland, ('al.; Fresno, Cal.; Los Angeles, Cal.; Sacramento, Cal.; san Diego, Cal.; San Bernardino, Cal.; Phoenix, Ariz.; Salt Lake City, Utah; Seattle, Wash.; Spokane, Wash.; Tacoma, Wash.; Portland, Ore.; Boise, Idaho; Butte, Mont.; El Paso, Tex.; Reno, Nev.; Vancouver, B. C., Can.; Calgary, Alberta, Canada.

## Question

How should the sales manager have redistricted the country into five divisions so as to accomplish the results he desired?

## Problem 99 <br> Determining Number of Accounts to be Handled by Salesmen

Among business concerns employing traveling salesmen, there is a wide variation in the average number of customers handled by one salesman; likewise, the number of salesmen handled by one branch manager. The number of accounts handled by the individual salesman will depend upon several factors, among which are:
(1) Frequency of Salesman's Visits to Customers.

It is evident that the traveling salesman of a local jobber, who calls upon his trade once each week, can reach a much smaller number of customers than the salesman of a territorial jobber who may visit some of his trade only every two or three weeks. The shoe salesman visits customers usually only twice each year and can handle many more accounts than the salesman for a biscuit manufacturer who visits customers every three weeks the year around.
(2) Location of Prospects or Customers.

A salesman can reach more customers of a given type in a metropolitan area than in a rural district. Many types of dealers vary closely in proportion to population. On that account, in the dense population of the East, more calls can be made than in certain far-western districts with sparse population. The policy of the company with respect to distribution affects the relative location of customers to be called upon. With exclusive agencies, each call will frequently mean to the salesman a trip between towns. The degree of intensity of distribution also affects the number of accounts the salesman is able to reach in the course of a month.

## (3) The Character of the Product.

If it is seasonal, the visits will be made only during the buying seasons. If it is a staple, standardized and well known, then considerably less time is necessary for the salesman to handle the business with each customer. On the other hand, if the product is a new specialty requiring demonstration, or one of a technical nature requiring tests, the number of customers or prospects reached will be decreased in proportion to the difficulty of selling. The reputation and prestige of the selling concern will also materially affect the time necessary to make a saic; likewise, the amount of preliminary work done by the house.
(1) Transportation Fachatien.

Where transortation facilitios are adepuate, where there is frequent tain sorvore, or in case where antomobiles are available, many mowe areombts can be hamded ordinarily than when freguent delay is ramed by inaleguate transportation sorvice.

The influchere of these fartors is reflected in the number of areounts handled hy salesmen of typical concerns. The tire salesmen of a rubber company handle on the arerage 60 accounts, while the rubber footwear salesmen of the same concern handle from 350 to 400 accounts cach. The salesmen of a concern manufacturing adding machines and rertain office applances may handle from 800 to 1,000 accounts. In a furniture concern the salesmen handle from 150 to 200 accounts.

## Questions.

1. Can methods used in developing standard practice in production departments be applied to developing standards for the number of salesmen that can be supervised efficiently by a branch manager and the number of branch managers and salemen to be directed by a general sales manager, as well as the number of accounts handled by the individual salesmen".
2. How should a sales manger determine how many accounts his salesmen should handle?

Probbesm 100

## Layng Ott samemex's Termitorien, Routing Salesmen

The Webster Rubber Tire Company has divided the United states and Canada into 14 districts with headquarters in the following cities: Baltimore, Boston, Chicago, Cincimati, Detroit, Kansas City, Minneapolis, New Orleans, New York, Philadelphia, Portland, Pittsburgh, San Francisco and Toronto.

The Detroit District consists of the state of Michigan. Also the counties of Allen, Dekalb, Elkhart, Kosciusko, LaGrange, Marshall, Noble, St. Joseph, Steuben, and Whitley in the state of Indiana. And the counties of Allen, Cuyahoga, Defiance, Erie, Fulton, Hancock, Henry, Huron, Lorain, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams and Wood in the state of Ohio.

On the basis of experience, the sales manager feels that a salesman should not attempt to handle a large number of accounts. In the New York District the average number of accounts per salesman is 75 ; Boston District, 66 ; Kansas City, 40 (in process of development) ; Detroit, 38 (in process of development); Cincinnati, 62. Exclusive representation is the rule in towns of less than 5,000 inhabitants. Salesmen call upon accounts once each month. Wherever possible, the salesmen are so routed by the company as to permit them to return weekly to district or sub-offices. Each month's work consists of four trips of a week's duration each, the remaining working days being spent at headquarters in sales-promotional work.

## Questions

1. Using an outline map which shows county lines, lay out salesmen's territories within the Detroit District and route one of the salesmen traveling by rail, also one traveling by automobile.
2. Using such railroad guides, route maps, etc., as may be necessary, locate the necessary sub-offices in the territory. There are about 500 accounts in each district.

> Pbobslean 101
> Sales Distmets

The sales manager of the Baker Soap Company, of Boston, in plaming a new sales organization, is confronted with the problem of cotablishing new sales districts.

It is realized that the mumber of districts must be sufficiently large to afford opportunity for maintaining and increasing the distribution of their products, but not larger than can be economically justified. For purposes of comparisom, it is desirable that the districts once chosen should remain without change for a considcrable period of time and that any changes which might be warranted by increase in business should be made with least possible disturbance of territorial organization and arrangements. At the outset, the number of districts is to be not less than six. The population of the districts should be approximately equal. Products are sold through drug stores and grocers, separate salesmen being used for each class. Calls must be made upon approximately $80 \%$ of dealers in each class. From experiment it has been learned that each salesman can make from 200 to 400 calls per month, depending on territory.

## Questions

1. Outline the districts which you would advise.
2. Prepare a set of instructions which would show a subordinate precisely what to do in order to determine number of salesmen necessary; lay out salesmen's territories.

## Problem 109

Routing Salesmen
The assignment of territories to salesmen of the Curtis Shoe Company has not been made on the basis of state and county lines. An analysis of territories of particular salesmen shows considerable overlapping. In the main, each salesman's work is concentrated in a certain area, but there is a frequent crossing of routes. Ohio, for example, lies in the center of areas covered by five salesmen, so that there is frequent crisscrossing of routes. In the West, the territory is more clearly defined, but even there confusion of territories is not unknown. Each salesman is given, at the beginning of the season, what is called a territory book, with the list of exclusive dealers whom he is to call upon and a record of their past purchases. Transportation rates are the deciding factor in laying down a man's territory. Large cities are put on separate routes and visited by older salesmen. Besides the desire to have the large cities covered by the better salesmen, it is found to be necessary to visit these agents more often. This was especially true during the recent period when retailers in general followed a hand-to-mouth buying policy. The firm found that salesmen could not make these frequent visits if they were given definite territory and lists of small towns to be covered within a comparatively short period.

## Question

What would be the advantages of rearranging territories so as to give each man a separate and distinct territory based upon geographical lines?

## Problem 103

## Sales (quotas

The Burroughs Adding Machine C'ompany has been a pioneer in establishing quotas for salesmen's districts. These quotas are set not on men, but on territories; not on district managers, but on districts. The quotas constitute, therefore, careful estimates of sales possibilities. It is stated that, in the experience of this company, at least three factors should be used in building quotas for this concern and in lines similar to the Burroughs; namely, merchant enterprise statistics, population statistics, and past performance, or past sales.

Other firms, in fixing quotas for salesmen and territories, give weight to such factors as population, wealth of community, nature of local industries, per capita measurements, records of past sales, ability of salesmen, automobile registrations. Others add a certain per cent to previous sales to determine quotas for future sales.

## Questions

1. What factors, if any, should be used in the assignment of quotas by every concern irrespective of nature of product?
2. Criticize population as a basis for quotas.
3. What are the advantages and disadvantages of past performance excluvively as a basis for estimating future sales?
4. What considerations should enter into the determination of sales quotas by the Ford Motor Company, Conklin Pen, Westinghouse Lamp, United Drug, AllisChalmers, Russia Cement, Kelly-Springfield Tire, and American Multigraph Sales?
5. Should quotas be apportioned equally over the year?

Problem 104
Sales Quotas
A company manufacturing writing inks of various colors, copying inks, glue, cement, mucilage, typewriter ribbons and carbons, and other specialties, has fifty domestic salesmen under four associate sales managers under the direction of the general sales manager.

No quotas are set for salesmen, because it is stated that, since salesmen call upon retailers, wholesalers, and jobbers alike, no quota can be set which would be of value in measuring ability of salesmen.

## Question

Is this a valid argument against an effort to assign quotas?

Problem 105
Setting Quotas for Salesmen
In 1920 and for some years previous, it had been the practice of the McKenzie Company of Dayton, Ohio, manufacturers of low-priced watches, to make estimated production for the year the basis for the total quota of the sales organization. A certain percentage of increase over the previous year had always been added to give new quotas. Each of the 17 different models was assigned to a definite quota, which was distributed among the branches in proportion to the previous year's sales. Branch managers assigned quotas to the salesmen on the same basis. The salesman's quota on each of the 17 models and his sales were kept before him on a daily quota sheet showing how much he was undersold or oversold on all of them. Some salesmen found one model very much easier to sell than others. Usually they would undersell on one model, and oversell on another, which the house desired to push. The quota plan, however, demanded orders in certain proportions, and the salesmen governed themselves accordingly. If it so happened that the salesman oversold
on a certain model, he was short-rated on that particular morlel, and ower-rated on another, in order to make up the differeme the following month.

The management had up to the time stated, however, experienced some difliculties in fairly assigning quotas to sale emen. The distribution of the product has always been offected partially through direct sales to the retail trade by a sales force of nearly 100 men. The jobber and the company have sold to the retail trade on the same terms. It has been the policy of the company, however, to awoid competing with the wholesaler; where a retailer has traded with a jobber the company's salewmen have been instructed to stay out. such a system has been pursued because it has been thought that it stimulated the jobber to greater effort and helped him to introduce the line into new stores. This system, however, made difficult the maintenance of guotas by salesmen. Whenever a jobber became efficient he cut in upon the trade of the satesman, who, in turn. was to be commended as he followed out the poliey of the company in aroiding those retailers dealing with the wholevaler. When a wholesaler became aggressive, as might be expected, he secured the saleman's best customers. Again, during the latter part of 1920 the industrial depression cut down the sales of watches of this company materially, so that the scheme of quotas based on previous sales was not satisfactory.

The salesmen had for years worked on a straight salary basis. It the begimning of 1921 the management desired, if posible, to institute a system of salary and bonus, in order to stimulate salesmen to greater effort. The bonus suggested was to be a percentage on sales above quota.

## Questions

1. What effect would the financial condition of the country at the time hase had on the fixing of quotas for 1921".
2. What scheme could have been adopted to adjust quotas 10 jobbers' activities".

## Problem 106

Relation of Quota Assignments to Sales Districts
In fixing quotas for districts and for salesmen, one of the most difficult problems is to make proper allowance for differences in sales districts and territories. Every sales manager knows that, with an equal amount of effort, a man will get varying results in different parts of territory served by any large company. On the other hand, the varying ability of salesmen so complicates determination that most quotas contain a very large element of estimate and judgment on the part of sales executives.

A plan tried out by the sales manager of a gas company in a large eastern city had among its purposes the securing of a basis for judgment of both men and territories within this city.* The sales force for the city consisted of 14 men. The plan was to concentrate the entire selling force in each man's territory on Monday, Wednesday and Friday afternoons during a period of 14 weeks.

The names of the men were drawn by lot and, as each man's name was drawn, the district to be worked was listed in regular order. The streets to be canvassed, as well as the appliances to be sold, were left to the representative in whose district the men were to work. The men worked in pairs, each pair taking one side of a designated street.

The sales covered small, miscellaneous and accessory appliances, as well as the usual standard gas ranges, water heaters, fixtures, domes, indoor and outdoor arcs, single lights, maintenance contracts, etc. Prospects were prepared for the visits of the salesmen through a package of the literature of the company, which was delivered at each house on the day previous to the group canvass. The earnings of the entire force were pooled and the sum given to the man whose district was being worked. The following results were obtained during the period:

[^15]

The totals of the columns relating to points and money ralue will agree, because all sales made by any man during the two-hour period must show up either in his own territory or in the territories of other men whose districts he helped to work. The prospects developed were worked to very good advantage afterward.

## Questions

1. What conclusions are to be drawn from these records?
2. While it is evident that the plan in its entirety is limited in its application, what features might assist the sales manager of a large office appliance concern to determine the relative difficulty of making sales in the different sales districts, so as to be able to judge properly the performance of his men?

Problem 107

## Sales Manual

The assistant sales manager of a company manufacturing writing paper in various colors and weights favors the preparation of a manual for its salesmen. This company makes a specialty of business stationery sold to business men ordinarily through printers, lithographers, and engravers, who in turn are furnished by wholesale dealers.

The salesmen of the company are, therefore, few in number and deal with wholesalers almost exclusively.

## Question

Prepare for the sales manager a brief report giving your reasons for desiring a manual and embodying your recommendations as to form and contents of manual and method of preparation.

## Pıossian 108 <br> Saleg Mandal

A company manufacturing a medium-priced automobile finds, in common with other companies, that it must issue for the user a manual which gives the main points of instruction on the car, things to be observed in its use, and remedies to be adopted in case of ordinary troubles.

At the same time, it finds that some method must be adopted of informing the salesmen in the various agencies, district and local, through which the company sells. These agencies are not owned by the company, but each one is under contract to purchase a certain number of cars per year from the company at discounts which are part of the contract.

## Questions

1. What should be included in a manual?
2. Should a separate manual be prepared for the salesmen who deal directly with consumers?
3. If so, what should it contain?
4. Would you include a model sales talk to be used by retail salesmen?

## Problem 109

## Sales Manual

A company manufacturing work garments issues annually a manual, of which the following is an outline:

## Sales Department

The origin of - (name Mail orders.
of the product). Requisition for supplies,
Description of the line.
Duties of the salesmen.
Questions and answers.
Duties of special salesmen.
Salesmen's details.
Orders.
Specifications.
Signed orders.
Terms.
Guaranteed sales.
Exclusive agencies.
Special garments.
Packing and shipping.
Collections.
Correspondence.
Mail-order cards.
Orders for advertising matter.
Daily reports.
Route lists.
Salesmen's mail.
Copies of correspondence.

Pemmanship.
Disposition of old samples.
The mion label.
Construction.
Our $5 \times 10$ signs.
Credit.
Contract.
Salesmen's commissions.
How to keep and use records.
"Dealer helps" and the dealer's help.
Are you a successful salesman?
Factory vs. farm.
Demonstrating.
The big game.
Advice to salesmen.
Do's intermingled with dont's.
Loyalty.
Helps in writing up orders.

Advertising Department
The 1920 advertising campaign.
Advertising schedule-1920.
Newspapers.
Farm papers.
Children's garments.
General and trade publications.
Inside promotion work.

## Question

Could the same plan be adopted successfully by a manufacturer of women's suits and cloaks?

## Probblem 110 <br> Sales Manuals

The following are brief outlines of sales manuals used by various types of concerns:
(1) Sales manual of a concern manufacturing a calculating machine: form, $3 \times 6$, looseleaf:

Section I. Mamal of salesmanship, including standard demonstration, common objections, standard answers.

Section II. Machine manual, showing standard mechanical demonstration and comparison of this machine with other machines.

Section III. General instructions for managers and salesmen, giving briefly terms of sale, delivery, guarantees, and the like.

Section IV. Manual of advertising, purpose, media, most economical employment of media, prospect lists, direct-by-mail advertising, cooperation between salesmen and advertising department, and general instructions from advertising department.
(2) Sales manual of the "Bestever" tractor division of the Knollwood Company, manufacturing implements:

Chap. I.-General statistics on tractors.
Chap. II.-Bestever history and qualifications.
Chap. III.-Bestever general construction.
Chap. IV.-Bestever motor construction.
Chap. V.-Counter claims and objections.
Chap. VI.-Cooling system. (Service.)
Chap. VII.-Carburetion. (Service.)
Chap. VIII.-Ignition. (Service.)
Chap. IX.-Lubrication. (Service.)
Chap. X.-Motor Mechanism. (Service.)
Chap. MI.-Transmission. (Service.)
Chap. XII.-General Service. (Service.)
Chap. XIII.-Lubricating oil.
Chap. XIV.-Horsepower and metallurgy.
Chap. XV.-Bestever thresher.
Chap. XVI.-Knollwood tractor moldboard plow.
Chap. XVII.-Knollwood tractor dise plow.
Chap. XVIII.-Knollwood tractor lister.
Chap. XIX.-Knollwood tractor dise harrow.
Chap. XX.-Interesting facts and suggestions.

The manual is printed in pamphlet form, $7 \times 9$ inches in size.
(3) A concern manufacturing electrical equipment, from the smallest to the largest installations, in its manual of the sales department takes up the character and the duties of each type of official and member of the sales organization, gives a complete statement of office practice, and set of directions for handling orders from the simplest to the most complicated syndicate installations, relations of the sales department to all the other departments; lastly, full instructions as to the use of all forms, reports, and control systems. The result is a book of upwards of 1,000 pages in loose-leaf form $7 \times 9$ inches in size.
(4) A manufacturer of biscuits uses a small folder, in which are given with the utmost briefness general suggestions for more sales, policy of the company, prices and terms, handling orders, credits and collections, reports and correspondence, complaints, and selling points, the whole covering only seven small pages.
(5) A company selling oil stoves gives, first, complete history of the company; then the sales presentation, taking up specific facts concerning the product which every salesman should know. The second section covers salary, expenses, and commission accounts. The third is concerned with advertising, containing sub-sections on the portfolio, its value and use; advertising campaign, how to use it; better sales plan; local general advertising, window display. The fourth and last treats of dealer cooperation, including personal salesmanship, collections, what a salesman should know about credits, the importance of signed orders, "dont's" to remember when writing orders, following orders through the factory. Form-7 x 9 inches; pamphlet.

## Questions

1. Criticize the above manuals from the standpoint of content and form.
2. Prepare an outline for a manual for salesmen of the Poore Company, the principal products of which are hard candies, soft-stuffed candies, cough drops, chocolate and cocoa. Approximately one-half of the product is sold in (hicago. The manufactured product is delisered in trucks to retailers by the manufacturer. Elsewhere, the company sells its product through wholesalers throughout the United States. Annual volume of sales about $\$ 4,000,000$.
3. Prepare outline of a set of instructions for salesmen for the new type of Gillette razor, bearing in mind that the old type is to be sold at $\$ 1$ and that the Gillette Company is not to make unlimited adjustments by taking back old-t ype in exchange for new-type razors.
4. Under what conditions is it advisable to use a sales manual".
5. How are members of a sales force to be induced to master the contents of a sales manual?

## Problem 111

## Planning an Adtertising Campalgn

The Garfield Electric Company specializes in the manufacture of induction motors in the larger sizes, from 100 to 500 horsepower: that is, motors of the type that are usually used for shop and similar requirements. The business of the company has been built up largely by the substantial method of securing a trial for some of their motors in large manufacturing plants and by depending on the staff of the manufacturing plants to produce larger orders. The electric motor field is somewhat peculiar in that there are several very large
electrical companies making motors as a part of their business and who, on account of their extremely large line of apparatus, have very well-known names. 'There are many smaller manufacturers and a number of jobbers who simply have motors made for them under their own nameplates. The consequences are that any of the small manufacturers are likely to be regarded as merely jobbers.

The Garfield sales plan consists in selling motors to a large extent to manufacturers of large machinery, such as elevators, pumps, hoists, machine tools, etc. This plan was adopted for several reasons. In the first place, not enough care has been used in getting exactly the right size motor for a machine, with the result that motors have been too large and power has been wasted. In the second place, the logical way to buy a motor is to buy it for the machine for which it is intended. The two pieces of equipment are absolutely interrelated and by buying them together the buyer centralizes the responsibility for the good operation of the tool in one place. It also permits the manufacturer of the machine to fit his machine at the time it leaves the shop, with a motor which he knows to be satisfactory. Since any machinery manufacturer has to apply a number of motors in a year, it pays the company to have men who are specialists in motor application make a thorough study of each machinery manufacturer's requirements, which could not be done if it were simply a case of applying a motor to one individual machine in somebody's shop.

The company is, however, meeting with considerable sales resistance, due to the fact that the company is not as well known as its competitors. It is proposed that this be remedied-
(a) By sending out a letter per month to 2,500 machinery manufacturers, making about 30,000 for the year.
(b) By sending out some 15,000 catalogs and 100,000 circulars.
(c) By advertising in the saturday Evening Post and Literary Digest so as to get at experts and advisers, consulting engineers, contractors, architects, and central stations. Because of the large appropriation, the magazine advertising is considered the keystone of the campaign.

## Questions

1. What investigation should be made before undertaking the proposed campaign?
2. Should the sales manager approve of the expenditure of the $\$ 50,000$ required for this campaign?
3. What steps should be taken to plan the campaign?

## Problem 112

Planning to Secure Coordination of Sales and Prodection

A concern manufacturing cheese-cloth for domestic use, bandages of all kinds, jeweler's cotton and absorbent cotton is confronted with the problem of securing more satisfactory coordination of sales and production. The raw material constitutes the major portion of the manufactured cost of the product ; and, since the cotton market is a highly speculative one, the selling price of the finished product of the company fluctuates with the spot price of raw cotton. The larger customers for the company's product closely follow the cotton market. A change in the price of raw material makes a sudden change in the demand for the finished product in both quantity and grade. In case the market is high, only the cheapest grades of cheese-cloth are purchased and in smaller quantities; but as soon as the
price drops even a small amount, there is an active demand for better grades. The demand is, therefore, a very fluctuating one.

The following table of orders for the first 12 weeks of 1921 is illustrative:

| Week, ending | Orders in yards |
| :---: | :---: |
| Jan. 1 | 489,285 |
| 8 | 852,438 |
| 15 | $1,514,672$ |
| 22 | $1,300,330$ |
| 29 | 904,760 |
| Feb. $\tilde{7}$ | $1,873,892$ |
| 12 | $1,986,408$ |
| 19 | 717,748 |
| 26 | 560,136 |
| Mar. 5 | $1,488,403$ |
| 12 | 807,440 |
| 19 | $2,028,885$ |

Very large inventories would make it possible to satisfy customers' immediate demands at peak periods, but the carrying of large inventories is inadvisable because, if large stocks happen to be left in the storeroom, losses through fluctuations in raw material may result. Furthermore, it seems that no change in organization can satisfactorily handle this situation. The problem has been put up to the sales department to find a solution if possible.

## Question

Would sales research or planning assist in solving the problem?

Pronbleal 113

## 

The Pem Paper Box Company is located in one of the suburbs of Philadelphia. Its product consists almost entirely of small cardboard boxes used as containers for rarions kinds of package goods. For example, anong its products at the present time are candy boxes, soap containers, packages for teas and coffees, and boxes of various sizes to hold different types of dry-goods. Becanse of the bulk of the made-up boxes the market is restricted to local teritory.

The competition in this industry is very keen, but by holding to a high standard of businesis ethics and by persistent effort the Pemn Company has been able in 20 yeats to grow from very meagre beginnings until now it is one of the largest and strongest paper box firms in its section. In spite of its strong position, however, the management must contimally face the problem of meeting the competition not only of several large concerns, but of numerous small factories.

All boxes are made according to specifications given by the customer, while the printed wrappers pasted over the rough cardboard are furnished by the customer. For this reason boxes are made only when an order is received or when a customer takes boxes of a certain kind continuously. The most raluable customers are those manufacturers and distributors who call for such a continuous supply of a certain type of box.

A problem in the management of the Penn Company is that of bringing a proper coordination between sales and production. Considerable saving is effected by putting large orders through the factory. As far as possible, a definite schedule for at least a week is kept, but the sales department is continually breaking into this schedule. Customers call the factory, stating that a special type of box is desired and demand delivery within a day or two. Often these rush orders come from the largest customers of the concern, those who take regular supply of a standard box. The sales department hesitates to refuse these demands for fear
of losing trade. The attitude of certain customers is reflected in the statement of one who said "If you do not do this for me, the Jones Box Company will." These demands for rush orders are a frequent occurrence. As stated, the production schedule is upset and costs are raised, while at the present time, June, 1921, when the factory is rumning only four or five days a week, it is sometimes necessary to call in workers on the days when the plant is closed and start the machinery simply to meet such demands.

## Question

What measure should be taken to remedy this situation?

## Problem 114

Coordination of Sales and Purchases in Wholesale Dry-Goods Concern
The practice of James Kennicott \& Company, a large wholesale dry-goods concern, is to place advance orders for women's flamnelette underwear in the latter part of December or early part of January for the following fall and winter seasons. This advance order is normally for about $65 \%$ of the preceding year's business. The salesmen then go out on the road and take advance orders from customers during February and the following months. These advance sales give a check on the advance purchases and determine the amount to be reordered. Shipments to customers are made between August 15 and October 15-the bulk between September 15 and October 15.

In $1920, \$ 100,000$ of this underwear was sold. This represented nearly double the annual sales of a normal
pre-war year, as far as money is concerned, but was little more in (fuantity. The largest part of the sales were made aight months before delivery, when there Was a rising market and a very brisk demand. In the four monthe preceding delisery, there was a continuous decline in prices, and in the fall rustomers were very reluctant to accept the goods for which they had previously plared orders.

A mild winter followed. Noreover, retailers were slow in marking down prices, so that there was more than a normal carry-over of stock on retailers' shelves. In Jamuary, 1921 , the basic price of material for the product was $60^{\circ}$, lower than in the preceding season.

## Questions

1. What should be the amount of the advance order in 1921 for this type of merchandise?
2. What information should the sales department furnish to the buying department as a basis for decision?

## Problem 115

## Sales Campaigns*

(a) A cooperative marketing association of California prune growers has distributed the product of its members through the usual channels, utilizing the services of brokers in most of the important markets. It is suggested that the prunes be packed in convenient containers of one-pound, two-pound and five-pound sizes and that a selling campaign be inaugurated to secure widespread distribution and sale. There seems little doubt that $\$ 200,000$ working capital could be secured for this purpose.

## Question

Prepare a brief statement indicating what is involved in planning and exceuting such a campaign.

[^16](b) The Sudbury Manufacturing Company of Springfield, Massachusetts, has for many years manufactured large amounts of mop heads, wiping cloths, clothes lines, twine, and other products out of cotton yarn.

In 1920 the company had five plants located in Massachusetts and Connecticut. Its products were sold throughout the United States through wholesalers, who in turn handled the retail trade. It was found that the mops were sold chiefly through hardware and house-furnishing stores, seldom if ever through grocery stores. The new sales executive of the company asserts that the grocery stores furnish a vastly greater outlet than the other types of stores and that the company should undertake an intensive campaign in a large city, with a view to developing this market. It is also proposed that the mops be standardized, trade-marked, and wrapped in packages that can be put on display shelves.

Questions

1. How should the intensive campaign be planned?
2. How is the work of salesmen to be correlated with advertising?

## PART IV

sALES POLICIES

## PART IV

## SALES POLICIES

## OU'TLINE

## A. Policies Relating to Product.

1. Guarantees of product as to quality, durability, and service rendered.
2. Selection of products for manufacture; full line versus specialties.
3. Policies as to change of style; new products.
4. Policy as to service; repair parts, repair service.
5. Brand policy; private brands versus manufacturer's brands; "family" braṇds.
B. Policies Regarding Methons of Distribution.
6. Exclusive dealer policy.
7. Policy toward newer types of middlemen: mailorder houses, chain stores, self-service stores, cooperative jobbers.
8. Policy toward wholesale eonsumers; contract sales.
9. Sales contracts.

## C. Price Policies.

1. Price levels.
(a) Zone prices; geographical equalization.
(b) Delivery or f. o. b. prices.
2. Cash discounts.
3. Uniformity of selling prices; one-price policy.
4. Trade discounts.
5. Quantity discounts.
6. Maintenance of resale prices.
7. Guarantee against price decline.
8. Drop shipment policy.
9. Price policy in sales for future delivery.
D. (1zEmT Poticy.
10. Length of aredit temms.
11. Mefhods of extemeling rertits: areeptane open areount, sight draft, sales mote, ote.
12. Collection police: ;ollections and outsandings.
E. Anverticing Polay.
13. Size of appropriation.
14. Appeals.
15. Morlia.
F. Policien 'Towalry ('entombra.
16. Returned goods.
17. ('mocrations.
18. ('lams and allowantor.
19. ('ooperation with satesmen in selling goods; dealer helps.


## (GENERAI, QUESTIONS*

## A. Policies Relating to Prodeyt.

Shatl a manufacturer or jobber guarantee the products he sells as to quality, durability or service rendered? If so, should this take the form of a written guarantee? Is the sales advantage from an ungualified guarantee sufficient to offect the dangers of abuse? What should be the policy of the manufacturer with reference to goods returned under an indefinite guarantee?
What policies should a manufacturer adopt with reference to the selection of products for manufacture? Is it advisathe for a manufacturer to add products in order to complete his line, either by mandacturing them himself or ley purchase". Will the addition of such products tend to nullify the advantage of suecialization?
What policy should a manufacturer adopt as to change of style". Should he he conservative attempt to keep up to the minute, or produce models or styles which change little? What should be the policy of the company toward new products: toward products the demand for which is a result of fad?
What should be the poliey of a company with regard to service in connection with its product, particularly where
it happens to be a complicated product? Should repair service policy be made a selling point?
What should be the policy of the manufacturer toward identification of his product? Should he establish his own brand or make his goods under brands designated by buyers-so-called "private brands"? What should be the attitude of the wholesaler toward private brands? What should be the attitude of the manufacturer of established brands toward private brands of competing goods? Under what conditions is it advisable to adopt a "blanket brand"? Is it goorl policy to use more that one brand for the same quality of product? Should the same brand be used for" different qualities".

## B. Policies Regarding Methods of Distribution.

What policy should be adopted with reference to dealing through middlemen? Shoukl the manufacturer sell through exclusive jobbers or should he establish exclusive dealer relations with retailers? What should be the policy (a) of the manufacturer (b) of the wholesaler toward mail-order houses, chain stores, self-service stores, cooperative stores, cooperative jobbers?
If the exchusive dealer policy is adopted, should contracts be used?

## C. Price Policies.

How should goods be priced-at, above, or below market prices?
Should prices be quoted to include delivery or should they be quoted f. o. b. plant? To what extent should prices quoted provide for geographical equalization?
What policies should be adopted toward cash discounts?
Should selling prices be uniform for all buyers, regardless of credit standing? Should salesmen be allowed to cut prices in order to meet competition? Should prices be quoted net or with trade discountr?" On what basis should jobbers' prices be granted? Should a distinction be made between jobbers' and retailers' prices on the same quantity of purchase? Is it wise to give jobbers' discounts to large resale purchasers such as department stores and chain stores?
What should be the attitude of the manufacturer toward identifying goods? Toward fixation of resale prices? Should he adopt a policy oí refusing to sell to price cutters?

What are the advantages and disadvantages of guarantee against price decline from the view-point of (a) the manufacturer (b) the wholesaler? Can a manufacturer refuse to guarantee prices against dectine if the practice is general in his trade? What policy should be adopted toward drop shipments?

## D. Credit Policr:

What shonld be the policy of an enterprise with regard to extension of credit? Shonld the general terms of the trade be adopted? What policy is to be chosen with regard to trade acoceptances?
What should be the policy of the sales department with regard to the handling of collections?

## E. Advertising Policy.

What should be the policy of the company toward advertising? What policy with regard to fixing advertising appropriations is to be considered sound?
To whom should advertising appeal be made-to consumers or to middlemen? If the product is one used by other manufacturers, should advertising be directed toward the consumers of other manufacturers' products or indirectly to stimulate sales?

## F. Policies Toward Customers.

How should the company deal with the returning of goods by buyers? Under what conditions are cancelations to be accepted, if at all?
Are claims and allowances to be made on a liberal basis on the assumption that "the customer is always right"? If not, what other basis is to be adopted?

## G. Policy Toward Competitors.

What policy is to be adopted toward competitors? Is cooperation with competitors within legitimate fields to be encouraged or discouraged?

[^17]
## Problem 116

## Guarantee and Replacement Policy

The Garrison Tool Company, of Cincinnati, Ohio, is one of the large manufacturers of saws, files and builders' tools, an old, established concern, producing a quality product. Almost since the beginning, the policy of the company has been to include in all its catalogs, and in its advertising and statements to the trade, a general guarantee against defect in material and workmanship of its product. Further, the statement that "This Article Carries Garrison's Fullest Guarantee" appears on many articles.

The management in recent years has often been confronted with the problem of administering this guarantee in the case of hand saws. The proper functioning of a saw is largely dependent upon its sharpening, and especially upon its setting. Often those who are supposed to be trained mechanics cannot correctly sharpen and set the saws with which they work.

From time to time the management has received saws from a wholesaler asking replacement. The wholesaler has, in turn, made replacement for a retailer who has exchanged the saw for a consumer upon the strength of the company's guarantee policy. Often these returned saws have shown that they have received years of use, or excessive abuse. In almost all cases sharpening and setting by a factory mechanic proves that the saws are not defective. In 1919, the management considered revision of its guarantee

[^18]policy to avoid the abuses and expense to which the company was being subjected.

## Questions

1. Should the company's guarantee on saws have been made more definite?
2. What degree of publicity should be given the guaranter?
3. What policy should have been adopted of administering the guarantee and in making replacements?

## Problem 117

Glarntee Policy
The (iiller Watch Company, of Orange, New Jersey, is a large manufacturer of low-priced watches. In the distribution of its product the company uses selected jobbers, but sells direct to the retailer upon the same terms as does the jobber. The watches are sold through many types of outlet, such as jewelry stores, hardware stores, drug stores, general stores, stationery stores and novelty stores.

It has always been the policy of the company to give a specific guarantee upon its product. At one time it was admimistered through the deaters, but several years ago the company changed its policy. The following statement pasted in the back of each watch briefly explains the method:

This (iiller watch is guaranteed to keep good time for one year, and, if, without misuse, it faits to do so, will be repaired hy us free; mainsprings, deaning. hands, and dials excepted. Wrap carefully, chelose 10 cents for booking, packing, postage, and insurance. Put your name and
address on the package. Valid only if dated and signed by the dealer when sold.
(Space for date of sale and signature of dealer)

> The Giller Wateif Company Orange, New Jersey

After the first year, or if the watch has been misused, return it to us and we will inform you what the repairs will cost. This watch is not exchangeable.

To handle repairs on watches and make exchanges, a service department was set up. Many difficulties, however, developed. There were frequent misunderstandings with the consumer. Frequently watches showed abuse, and when the company made a charge for repairs, the customer resented it. In other cases, dates of sale were not filled in by dealers and inquiries regarding this matter caused hard feeling. The length of time necessary for exchange caused an inconvenience to which many buyers made strenuous objection. Many dealers, in order to maintain the good will of customers, exchanged watches for them and then called upon the company for adjustment. Misunderstandings thus developed both with dealers and consumers. Late in 1921 the management took under consideration a change in guarantee policy.

Question
What policy should have been adopted?

## Problem 118 <br> Guabantee of Produrt

A candy manufacturer making a quality line of chocolates and benbons has received numerous requests from retailers for guarantee against defective or stale goods. The opinions of several manufacturers as to such guarantees are expressed in Advertising and Selling.*

The Huyler Company uses an unqualified guarantee; they say, "If you find that candies you buy of our make do not come up to your fullest expectation for any reason, the goods will be replaced." The following statement by their sales manager emphasizes this:

We make delisate canly subject to quick damage if subjected to any musual treatment. Every consumer is entitled to receive a perfect box of candy, no matter where or when he huys it. Henee, we consider our guarantee slip an essential step in our effort to wholly please every person who buys Huyler's candies. We have no memory of this guarantee ever having been abused by retailers or ever having been taken advantage of by consumers. Letters we have received from consumers reporting the receipt of damaged candy have invariably been most fair in tone and have been of great assistance to us in correcting the trouble responsible for the unsatisfactory condition of the candy. Returns by reason of the guarantee slip or for any other reason have been so small as to be wholly inconsequential.

Along the same line, the Belle Mead Sweets, Inc., of Trenton, N. J., gives an unqualified guarantee, saying further:

We believe this is the greatest form of advertising we have, for usually we send a higher-priced package or a package of larger size to the complainant. Writing him a letter relieving the dealer of all requmibility and taking the opportunity to write an explanation to him, telling of the purity and cleanliness of our factory. We know that in almost every case we make a stronger customer for Belle Mead Sweets and even for the store in which he made the purchase.

Stephen H. Whitman \& Son, of Philadelphia, have the following policy:

[^19]We place in all of our standard packages a guarantee which we desire to make as broad as possible. This card is enclosed in millions of packages every year, and I would estimate that we do not receive two dozen complaints from the public in the year. We feature this guarantee in our magazine advertising from time to time, and we think it is absolutely essential to protect our products in this way. If a box of chocolates is exposed to the direct sum in shipment or even in the dealer's store for even a short time in hot weather, it will certainly deteriorate and will not be worth the price the cousumer has to pay. Since we cannot guarantee against deterioration, the best we can do is to guarantee against loss. We will cheerfully mail a fresh package in place of the one complained of and he glad of the opportunity.

## Question

Is the experience of the above firms to be taken as sufficient guide for the new candy manufacturer in determining a policy?

Problem 119

## Product Guarantee

In the sale of rubber tires for automobiles, it has been customary for prominent manufacturers to give a guarantee varying to some extent with the company and with the price paid for the tire. While because of the improvements in manufacture of tires the guaranteed mileage has been increased, there has developed a very keen opposition among manufacturers to selling automobile tires with mileage guarantees. One well-known manufacturer has gone so far as to withdraw entirely his mileage guarantee and give a simple guarantee of satisfaction, much as would be given by any manufacturer who stood behind his product. Companies
attempting to maintain mileage guarantees always find great difficulty in making adjustments, and the expense of exchanges and adjustments is very considerable. Because of competition, adjustments have been made very leniently. 'The dealer hesitates to antagonize the eonsumer by refusing to take his word for the amount of use, while the manufacturer hesitates in turn to antagonize the dealer by refusing to accept the adjustments made he the dealer with the consumer.

The De Pugh Rubber Company manufactures a medium-grade fibre tire, which it guarantees for 3,500 miles. Nthough a large proportion of tires give more service than this minimum, the company feels that a conservative policy must be followed in mileage guarantee. Neverthelesis, it has felt that there has been abuse, that tires have been returned and exchanged which gave no evidence of defective workmanship on the part of the factory. The company is considering the adoption of a policy of not making a specific guarantee, but standing back of the goods in-so-far as they fail to give service because of faults or defects in workmanship. Furthermore, they plan to make their stand known to the public through an advertising campaign, in which the statement will appear that the abuse of guarantee adds materially to costs, and therefore to prices charged for tires. Because the guarantee of this company will not be administered on a so-called false basis, it is expected that lower prices san be quoted.

## Questions

1. Is the change in policy a sound one?
2. How would it affeet the volume of sales?

## Problem 120

Policy as to Quality of Product-Cnion Label
The Mann Company, which manufactures shirts under a well-known brand, is an old, established firm with main offices in one of the New England cities. The company has always put its product upon a quality basis and has continually sought ways of improving its shirts. The company has seven factories, located in different New England towns, each of which produces a different type or grade of shirt. With one exception, all of the factories have from the beginning been conducted on an open-shop basis.

A few years ago the salesmen of the Mann Company insisted that the work shirt manufactured under the company's brand should bear the union label. They argued that sales of this shirt would be greatly increased thereby. Though the management was opposed to unionization of its factories, it finally submitted to the request and unionized the factory which makes the work shirts. In turn, the company bought from the union, at 1 cent apiece, labels which indicate to the trade that the product is union-made.

The change of the factory from the open shop to the closed shop meant no alterations in factory operation. The working conditions and the wages paid were already equal to those required by the union. It was simply a matter of having the employees join that organization.

TJe company operated for a year under the union arrangement with success. Sales of work shirts bearing the union label increased, though not to so large an extent as was anticipated. Relations with the union and with the employees were satisfactory. At the end of the year an officer of the union visited the president of the firm, explaining that objections to the Mann shirt bearing the union label had been raised in the New York market. These objections came in part from union employers in the New York district, and in part from New York operatives. The complaints were based on
the belief that the Mann Company was operating under an agreement with the union which gave the firm an advantage over the New York manufacturers. The latter asked that the same rules be applied to the Mann ('ompany by the mion as applied to them. These rules in part governed the method in which the shirts were manufactured, such as the manner of sewing a strengthening piece across the shoulders and the finishing of seams. The union representative stated that unless the president saw fit to make the changes in pattern required, the union would be compelled to remove the right to sew the union label on the Mann shirts. The management folt that the changes demanded would materially decrease the strength and wearing qualities of the shirts.

## Question

Should the company comply with the union's demands?

Problem 121
Qualfy of Prodect
The Hight \& Sawyer Company was founded in 1854 as makers of highest-grade organs and has been making pianos since 1882. In 1908 the company failed because of inefficient factory supervision, lack of accurate cost figures, poor semen of distribution, lack of uniformity in retail prices, instability of advertising policy, expensive attempt to market a patented device and lack of working capital.

The company found itself in a peculiar position in 1903. The name was known all over the world, but was associated with very fine high-priced organs. The pianos had been sold on this reputation until the dealer
and tuner influence had somewhat counteracted it. Their real merit was known to a very small group of those qualified to judge musical instrmments. It was possible to improve quality at increased manufacturing costs, but even at prevailing costs the company was losing money. The ageney of Hight \& Nawyer Pianos was not sought after. It was not profitable to houses of the better class, since the public did not believe the pianos to be worth the price their cost and true merit demanded; and the retail prices were above those of "commercial" pianos. No mere published claims of merit were of much value, for all manufacturers use them irrespective of the real worth of their products.

The proportion of labor cost to total cost is very high. Steadiness of employment and stress on quality, instead of quantity production, are causes of slight labor turnover. The factory employs about 400 men. The work is done mainly at day wages; before the labor market became disorganized, the rates were higher than the prevailing rates.

## Questions

1. In view of conditions then existing, would you build pianos to sell at a price, or would you continue to build them as fine as possible and base your price on cost, no matter how high that price might be?
2. If the latter course were adopted, what policies should be adopted as to advertising?
(1) In an article on the shoe trade, a prominent newspaper in the shoe mamfacturing district made the following statement ( May, 1921):

For some time the primeipal emergics in the shoe and leather industrice have heen erntering on women's footwear, to the practical exdusion of other chases of merehandise. The asiat production of children's shoes contimues, but there is little need of incentives through movelties of style and finish in order tor sitl such staphes. In women's lines, dealerse efforts have been devoted to trying to get women to buy the new whers at high prime and on they have diseounted the hargans and cleatanes of a sear ago, by submitting such attration dexign that the 1 tizo groxts semed ancient and andexirable exeep when the wearer was indoors with her feet under the table. So the trade has been very busy and much interested in getting ont bew ot des and attractive designs and marketing them as fast as possible to the waiting woncon.

Now the crict hat gone ont, 'Put more style in men's shoes," and before long the modest men may find some striking examples of the cordwainer's art offered for their delectation, as the proper artictes to have and to wear. The first line to be entarged will be the winte buck shoes for smmer, and these witl be decorated and trimmed much as the novelties for the other sex. Brown trimmings and pleasing hrogue will be kept prominent.

Now that the trade, and more particularly the retailers of men's shoes, are thinking of giving greater attention to style in men's fines, a beliof is growing which may bring the end to so much of the "hrogue" in the busines. The brogue is necestarily a heary type of wor. Its appearance suggests that, even if the actuat weight is not above the weight of any of the majuity of patterms. It alse in so strongly made that it weals showly and retailers see that they do not sell so many pairs of shoes to a motomer as they did before the brogue design wat wished on them. So, they are talking of lighter weight patterns, particularly for summer wear, and such an arrangement of mem's styles as to provide marked distinction between the boots and shoes of each season, with a proper aswortment of distinctive footwear for special occasions. That something is going to happen in men's footwear during the next few months is probable, and a better aswortment will be offered by another season than has been the ease for some time.

## Question

1. What should be the policy with regard to style of the Mansur shoe Company, having a daily capacity of 12,000 pairs of medium-grade men's shoes? The company has been accustomed to sell through wholesalers.
(b) The Pulsifer \& Powers Company, manufacturers of men's medium-priced clothing, has been in business for 75 years. During the past 10 years, in spite of considerable expansion in production facilities, they have always been oversold; that is, they have never been able to fill orders for customers up to 100 per cent.

Some years ago the company, impresised with the idea that it would be desirable to eliminate as far as possible the seasonal fluctuation reflected in the fact that traveling salesmen were on the road twice a year for a period of eight to ten weeks, considered two plans. The first was the establishment of branch offices in several cities from which salesmen should take four, instead of two, trips a year. This wats abmaloned as involving excessive risk. The other plan was to emphasize production of three or four conservative patterns or styles in popular fabries, such as blue serge. These suits were to be made in large quantities and sold during the season when ordinarily little buying and little manufacturing could be done. This plan was put into practice four years ago; and, at the present time, one-third of the total production consists of four
numbers. The problen is now whether to limit the momber of sales on the mombers or to allow them to
 faror are that they would bring about some lowering in the cost of mamfacture and ordinarily somewhat wreater contimity of production. The arguments against are that the perticular patterns, which are chased as staples, may in serefice years be in little demand amb that vears have been known in which fancies were sold almost exclusively.

## (bucstions

1. Would it be posible for a concern mandacturing women's suits and cloaks, which are widely advertised, to adopet a similar plan for stabilizing production?
2. If so. how should the st yle be selected?

## Problem 103 Policy is to Complete Line

The Toulden Company manufactures a complete line of filing and indexing deviees for business concerns and other institutions requiring such equipment. The company has cotablished its own stores in several important cities and has made arrangements in others for representation bey prominent offiece equipment dealers. The company specializes in filing equipment; and, umlike it- competitor, the Dinsmore Company, does not handle desk, chairs, or other office equipment.

The problem has arisen as to whether, particularly in their own stores and later for general distribution, they should add a line of desks, chairs and other office equipment purchased from other manufacturers to secure advantage of a complete line. The Moulden

Company knows that it has been more successful in selling filing equipment than competitors who handle full lines of office furniture, but it is not known whether this success is due to specialization, which would be lost if they should add a new line of furniture, or simply to better merchandising methods.

Question

What policy should be adopted?

## Problem 194

## Full-Line Polici

The Federal Trade Commission, in its inquiry into the farm machinery trade, says that there is a noticeable development toward full-line production among manufacturers of farm machinery. Tractor companies engaged in the manufacture of plows to be used with the tractors are consolidated with plants manufacturing plows. Examples of such consolidations are the purchase of the Jamesville Machine Company by the General Motors Company, the Moline Plow Company by Willys-Overland Company, Arling \& Orendorff and the Chattanooga Plow Company by the International Harvester Company. The International Harvester is thereby made a full-line house, having manufactured previously practically every other type of farm equipment. The Federal Trade Commission investigation does not demonstrate any clear advantage on the basis of selling expense, for full-line concerns.

In other lines, as well, there is frequently the problem of adding new lines. A concern manufacturing tools and certain types of equipment to be used by textile mills is tempted to add a line of mill supplies, partly of
its own manufacture and partly purchased. Assuming that sales are sufficiently large to fully occupy present sales and productive capacity with a limited line:

## Questions

1. What advantages are secured by increasing the line?
2. What sales advantages may be secured by the Cornell Motor Car Company through consolidation with a tractor concern?
(a) A manufacturing jeweler, located in New York, has developed a considerable trade in medium- and lowpriced jewelry, which he has distributed direct to the retail trade. The company has never done any advertising, except through trade journals. Consequently, it is unknown except to retailers and wholesalers in jewelry circles. It is proposed that the company add to its medium- and low-priced line a.small line of pearl necklaces of high quality, selling at from $\$ 50$ to $\$ 300$. These pearl necklaces are to be advertised extensively and emphasis is to be placed upon quality. The media used are to be those appealing to high-class buyers. The sales manager, who advocates the addition of this line, asserts that advertisement of these high-grade pearls will give their line of jewelry a prestige which it does not now possess; furthermore, that whether the sale of pearl necklaces is in itself profitable or not, the adrantages will be reflected in greater sales of the other lines of the company.

## Question

As a member of the board of directors, would you approve the addition of this line and the advertising appropriation necessary?
(b) By means of advertising and traveling salesmen, a company which publishes six popular magazines, one appealing to the motorist, another a ladies' journal, the others of the popular fiction type, sells its product to wholesalers in the larger communities, to retailers direct in the smaller. It is suggested that the company undertake the distribution of package confectionery, particularly half-pound and one-pound boxes of chocolates and bonbons, and fruit tablets and mints in 5 -cent packages.

## Question

What are the arguments for and against the addition of this line? •

Problem 196
Abding New Lines
Should a shoe manufacturer, who has advertised a scientifically fitted and constructed shoe catering particularly to infants' and children's trade, add a line of hosiery which is to be advertised and sold much as the shoes have been advertised and sold?

It is very unusual for a shoe company to undertake the sale of hosiery. In this particular case, it has been known by the company for years that the purpose of the scientifically designed shoe can be in a large measure defeated by the use of an ill-fitting stocking in connection with it.

## Questions

1. If the lime of hosiory is added, what should be the attitude of the sates manager of the company toward stylas amd materials.?
2. How should it go about dotermining what styles, materiak and colors to be produced?

## Problay let

Complete Line in Minutareterers' Retall Stores
The Marvelle shoe Company manufactures a line of women's and men's dress-shoes. It manufactures only welt shoses, none with turned soles. The company distributes a considerable portion of its product through its own stores. On the basis of its own manufactures, the retail stores camnot offer a full assortment of shoes to meet the demands of all classes of buyers. Hence it has been necessary for them to limit the establishment of their stores to large cities, where there is a sufficiently large demand for their shoes. The general policy is to put a store in no rity of less than 150,000 people, although stores have in a few cases been located in western territory in smaller rities which are good trading centers. I problem arises in connection with these stores.

## Questions

1. Would it be possible for the company to supplement its own brand of shoes with others, in order to afford styles to meet a wider demand?
2. It the present time, the company buys some turned-sole shoes with its own trade-mark from other manufacturers. Would it be advisable for the company to go farther and put in a complete line".

## Probleai 128

## - Laplification*

During the war, the necessity of conserving raw materials and labor found expression in the active encouragement given to simplification of manufactures as a means of effecting scientific and industrial economies. The Conservation Division of the War Industries Board formulated a large number of programs of conservation for specific industries. In the main, these consisted of reduction in the number of styles and varieties, sizes, colors and finishes of products, elimination of styles and varieties involving uneconomical use of material, elimination of unnecessary features or accessories and standardization of materials and parts to secure greatest economy. There were many conspicuous instances in the reduction of styles.

On the basis of agreement with the business men in the industry, the number of colors of men's hats was reduced to 9 . It is stated that several manufacturers previously had lines of hats of approximately 100 colors. Rubber footwear manufacturers agreed to the elimination of some 5,500 styles, under a program of economy in packing and shipping. Among agricultural implement manufacturers, the sizes and types of steel plows were reduced from 312 to 76 ; disk harrows from 539 to 38 ; buggy-springs from over 120 to 1 . In the pocket-knife industry the number of basic patterns was reduced from 300 to 45 , with the variations and catalog numbers reduced from 6,000 to a maximum of 100 for each manufacturer. About $80 \%$, or 4,252 items, were eliminated by the standardization program in the stamped metal industry, manufacturing enameled ware, tin ware, and galvanized ware.

From the view-point of the plant manager, the advantage of such simplification is very clear in planning of production; in production itself and its control. distinct advantages are secured through a smaller

[^20]momber of produets in the line. The gains in quality of product, through deerease in idle machine time and variety of tools, jigs, and fixtures, are casily seen; there is an increase in quantity, while cost is decreased through smaller inventories and larger runs of product without change of machincry. .Ifter the war, sales managers in the industries affected by conservation programs were generally confronted with the question of future poliey as to the standardized production carried on during the war.
(a) Before the war, it was the custom of the Deering Company to offer customers 20 models of sack suit. These models were offered in the various suitings purchased each year by the piece-goods buyers. In most seasons, the number of different suitings was in excess of 1,000 . It the same time, each eustomer was offered the choice of lining construction. The number of his choices was, therefore, very large. In addition to the 20 regular models, the company offered to make special models for customers and actually made 15 customers' sjecials, but on these there was no model of which the sales amounted to more than $.5 \%$ of total sales. As a matter of fact, the great bulk-practically $90 \%$ of the sales of the company-is concentrated on 6 or 7 models. Toward the close of the war, the company seriously considered eliminating all but the 10 best selling of its regular models.

## Question

What should be the attitude of the sales manager toward this simplification?
(b) The Bates Piano Company, producing about 800 pianos a year, supplies these in seven styles and sizes of cases. It is cetimated that, if standard sizes could be introduced, a $10^{\circ}$ c sating could be made.

## Question

Would the $10 \%$ saving, if divided between manufacturer and dealer, be sufficient reason for reducing the number of sizes of cases to two?
(c) A company manufacturing pipes, valves and pipe fittings has a list of items amounting to some 23,000 . Of these, the bulk of trade is conducted in less than 1,000 .

## Question

What considerations should determine the company's policy with respect to elimination of styles and products?

Problem 129
Elimination of Sizes and Styles
The Stone Company turns out a variety of products, the chief one of which is cotton blankets. The present facilities enable it to turn our approximately five million pairs a year, which comprise about $80 \%$ of the value of the total output of the mill. The blankets are made in four grades, which we will call $\mathrm{A}, \mathrm{B}, \mathrm{C}$, and D and come in various sizes and patterns. The following list will show under each grade the sizes, weights, number of patterns, and the 1920 orders for each size.

| GRADE A |  |  |  |
| :---: | :---: | :---: | :---: |
| Plain |  | Patterns | 1920 Orders |
| 60x76 | 3 | lbs. per pair | 2380 cases |
| $64 \times 76$ | $31 / 4$ | " | 5052 |
| 60x80 | $31 / 8$ | " " " | 382 |
| 66x80 | $31 / 2$ | " " | 5792 |
| 66x84 | $35 / 8$ | " | 390 " |
| $72 \times 80$ | 33/4 | " " | 1896 " |
| $72 \times 84$ | 4 | " " | 1784 " |



## (iRAD) B

| Plain | is Patterns |  | 1920 0) mers |
| :---: | :---: | :---: | :---: |
| 45x72 | 112 | Hhe. per pair | 1492 cases |
| $50 \times 72$ | 17 | - | 2400 |
| $54 \times 74$ | 2 | " " " | 4412 |
| $86 \times 76$ | $2^{3}$ | " " " | 5902 |
| $64 \times 76$ | 212 | " " " | 8818 |
| (6) 280 | $2{ }^{2}$ | " " " | 3464 |
| 66 x 80 | $\underline{2}+$ | " " " | 3854 |
| $72 \times 80$ | 3 | " " " | 4560 |
| $72 \times 84$ | 31 | " " " | 1066 |
| Plaid | 32 | Patterne | 1920 ) reler: |
| $60 \times 76$ | 25 | lbs. per pair | 3922 cases |
| 6.4576 | 27 | " " " | 9254 |
| $72 \times 80$ | $33^{3}$ | " " ، | 2346 |

$66 \times 84$
$72 \times 84$
(iRADE ('
16 Patterns
1920 ()reters
23.t lise per single

982 cases 5.52 "
(iRADE I)
2 Patterns 1920 Orders

+ Ifs. per pair

3032 cases

The blankets are all made of pure cotton, but differ considerably in quality, and in each grade there is a difference between the plains and plaids. This is due to the fact that a heavier filling is used in the latter in order to hring out the colors better. For this reason and since it is somewhat more expensive to make them, the plaids bring a higher price than the plains. The Grade . I blanketware not only considerably heavier than the (irade B product, but they are much better made, have a better finish and therefore command a good deal higher price. Cirade (' is a very heary blanket made
on the same machinery and going through the same processes as Grade A, but owing to its weight it is made only in singles. Grade $D$, though very similar to Cirade A, has a different filling and its general quality is lower. It is, therefore, between Grades A and B in price.

The plain blankets are made in white, grey or tan, with borders of varied stripes and colors, but with pink and blue predominating. The plaids come in several colors and different patterns, so that a combination of the two makes a considerable variety.

As shown by the 1920 orders, Grade B forms a majority of the output. In Grades A and D, there are only 50 pairs, and in Grade C 50 singles, to the case. In Grade B the two smallest sizes are packed 100 pairs and the remainder 80 pairs to the case. When these factors are considered, the percentage of output of each grade to the total as shown here would be approximately as follows:

| Grade A | Cirade B | Grade C $1 \%$ |
| :---: | :---: | :---: |
| Plain $15 \%$ | Plain $41 \%$ | Grade D $2 \%$ |
| Plaid $19 \%$ | Plain $21 \%$ |  |

The number of cases as shown makes up considerably less than five million pairs, but the export orders and assorted cases for the domestic trade are not included. The latter would not in any way change the proportion of each size to the total, while the general problem is not affected by the export business of the company.

Grade a blankets are sold under a registered trademark bearing the name of the mill and the trade-name on a label, which is stitched on each pair of blankets. The ticket on each pair also bears the trade-name. Grade B plaids and Cirade C have more recently been trade-marked, and an application for registration has been made. These are both new to the line this year, which explains why the trade name-has not yet been registered. The tickets on these blankets are similar to the others, retaining the trade-name and the name of the mill. Cirade Bplains and Grade I are not trade-
marked. In the former, the blankets may be given either a mill ticket or the ticket of the jobber or retailer with or without the mill's name. In some instances the tieket may have read "Manufactured expecially for......." with the name of the jobber.

The highest quality, (irade $A$, forming $32 \%$ of the output, are widely advertised. The next grade, B, meets with very keen competition. (irade D is the quality in which there is the greatest competition; this grade comes between $I$ and B in quality. Grade C in single blankets is the same quality as $\bar{A}$. The sizes of blankets have been governed in a general way by the sizes of beds used. The three general sizessingle, three-quarters, and double-have in the past been subjected to many variations, but $90 \%$ of factorymade beds are in the three standard sizes. Although it might appear that there should be only three sizes of blankets, the list given shows that there are 13 sizes put out by the mill, while still other sizes are put out by other companies.

The large number of sizes is due partly to the difference in opinions of blanket manufacturers as to the proper size of blankets for one of the standardsize beds and partly to the competition of manufacturers, which led some to cut sizes in order to be able to make lower quotations. The result was that a large number of sizes was adopted by all manufacturers as a concession to competition.

Patterns of blankets change more rapidly than do sizes. The plain blankets are made in three colorswhite, grey and tan-for which the demand varies in different sections of the country. The conventional colors for borders are pink and blue, although several others are used, stripes and borders varying considerably in width and number each year. There are some that last as long as three years, but it can safely be said that in any season few, if any, of the designs sold for years earlier are changed. In the plaid blankets there are practically no conventions upon which the patterns are based. Colors change each year.

## Question

Is it possible for the Stone Company to reduce the number of sizes and patterns and still be able to sell their output?

Problem 130
Service Policy
The Welch Motors Company, manufacturing a car in the $\$ 1,500$ to $\$ 2,500$ class, makes the following statement concerning its service policy as applied to distributors and dealers:

## OBLIGATIONS OF THE FACTORY

(1) To produce a motor car as perfect in design, workmanship and material as it is possible to build for the purpose for which it is intended.
(2) To maintain at all times, subject to the call of its distributors, a complete stock of service repair parts.
(3) To fill all parts orders carefully and make shipments promptly.
(4) To insist on Welch clistributors keeping a careful record of their parts stock and reporting amount of such stock on hand monthly.
(5) To insist that each Welch distributor keep in his employ at all times competent service men.
(6) To furnish proper instruction to Welch distributors as to the proper care and maintenance of cars.

In assuming the obligation of a manufacturer, the Welch Motors Company has provided against any contingency that might arise by maintaining a stock of repair parts that represent an investment in excess of a million dollars. Years of experience have made this factory realize the necessity for having these parts available at all times during the normal useful life of a car, and provisions have been made in the way of mechanical equipment, machinery, tools, dies, jigs, etc., all of which are retained in stock for a period in excess of any reasonable demand for service parts.

A service advantage which eammot be emphasized too strongly is that Wrold rars are built practically complete in our own factory. This obviously makes it possible to give better serviee than if we were to purehase units from other manufaturers for assombly and be governed in our ability to give serviof by our ability to obtain service from a large momber of outside parte makers.

In the purchase of such equipment as is necessary to what through outsinde sommes-such as an ignition apparatus, caphuretors, storring deviers, starting and lighting equipment, batterios, otr.- only concerns of national repute, whose fintures and standing in the industry indicate permaneney, have been considered. The service prineiples of such concerns aro in areord with the Welch service poliey.

Realizing that sorvice is a most important element in the building up of a succesful motor car business, the Welch Motors Company expects its distributors and dealers to adhere strictly to this service policy, and the value of the distributor or deater to the Weleh Motors Company will depend to a very large extent upon his fulfilling these service obligations.

## OBLIGATION゙ OF THE DISTRIBUTOR

(1) To maintain facilities for rendering prompt and eflicient service at all times.
(2) Tomaintain at all times a sufficient stock of parts to fill promptly at least 90 of all parts orders received from his territory from his stock.
(3) 'To eonvey to the dealer or purchaser information and instruction as furnished by the manufacturer relative to the maintenane and servier of Weleh ears.
(4) To have in his employ at all times a sufficient number of expert mechaniss, not only properly to instruct his dealers in the matter of service and service adjustment, but to assist them in rendering neressatry servide.
(5) To keep in touch with all Welch fars sold in his territory, either directly or through his deaters, to insure their atisfactory performanee, and to see that proper service is rendered on each and every car in his territory.
(6) To make a monthly report to the manufacturer of his parts stock, together with a statement showing the number of parts orders received and the pereentage filled from his stock.
(7) To report all mmsual serviee difficulties to the manufacturer.
(8) To put into effect a standardized service policy which, by means of periodical inspection or otherwise as conditions throughout his territory may warrant, will maintain the good name of the produet and insure satisfactory territory development.
(9) In cases where the distributor sells cars at retail, he shall assume the service obligation of the dealer in addition to those of the distribator.

The distributor is a most important factor in the success of the Welch Motors Company. He is the medium through which our product reaches the hands of the dealer. The distributor, therefore, is the medium upon whom we must depend for a complete and thorough service organization throughout his territory.

It is our intention to build Welch cars just as well as we can build them and to improve them from time to time. There are times, however, when we shall undoubtedly experience troubles in our product through faulty material or inspection, which may necessitate a certain amount of expert work in connection with cars already in the territory. When this condition does arise, we shall expect the distributor to be prepared, through an efficient service department, to take rare of this trouble without assistance from the factory except in cases where a chronic condition arises on a large number of cars of a current model. In this case, the distributor will notify the factory.

The distributor must consider that this service is one of his functions as a distributor, and we do not expect the distributor to pass this expense on to the dealer. This is one of the very important considerations in the granting of the Welch franchise to Weleh distributors.

It is the distributor's duty, and we shall insist that each distributor fulfil his obligation in the matter of parts stock, and maintain in his employ mechaniss and service men with proper ability to give assistance in all service matters to his dealers. This service, senerally speaking, shall be free service, and he shall have his serviee men almost ronstantly on the road to see that his dealers are properly posted and that their tronbles are promptly eared for.

The distributor who does not cally his part of the manufacturing burden in the manner outlined herem fails in one of the most important dutios of the distributor.

## OBLICATHON゙ ()F THE DEALER

(1) To maintain proper facilities for rendering prompt and efficient serviere at all times.
(2) To maintain an adequate stork of parts to take eare of the immediate demands of his territory, which stock of
parts shatl berphemidned as moded out of the stork carried hy the distributer．
（3）＇lo maintain a woll－operaterl－hop，hating competent merhanise amd aloppato equipment for all serviee pequire－ mentr．
 Welisers and at time of delivery propery instruct the purcharer with reforemer fo the care，operation and main－ trithere．
（5）It is ver importath that the prorehaser be given a most thatomgh insturtion in the matter of labrication as ontlined in the W＇rded la－truction Book．
（6）It is mot the intontion that the deater furnish serviee withont co－t to the owner，exeron when in his judgment the installation of defedive parts，as cowed hex the manufac－ theres watants，shatl he hamollad eratis．
（7）It is the duty of the deater to keep in ronstant touch with the performanee and comdition of all Weleh cars sold by him，this hy means of periodical inspection or some other method that will mener the＂ars＂＂ontimued efficiency and satisfatory performamere＇lhis is absolately necessary to maintain the wood name of the Wereh product and reflect credit upon the entire organization．

It is expected that the doaler，realizing that proper service is neressary to the futme development of his business， will cooperate with the service policies as defined by the manufactures and distributor，with a view of maintaining Wekeh cars in constant operation at the least possible expense to the owner．Through courteous attention and a friendly attitude on the part of the dealer＇s entire organiza－ tion，the owner should be made to realize that Weleh cars have a home－that they come from somewhere and that someone hats a real interest in them．This is a part of Welrh sorviore．

## OBLICATHONE OF THE OUNER

（1）The value of Wrelch service to the owner and the ability of Wreld distributors and dealers to give efficient service depend almost entirely upon the cooperation of the owner and the wiver with the dealer．
（2）Instruction，sorvice and repairs should be secured from the Wedeh dealer orqanzation wherever this is possible， since Weleh dealers are familiar with Welch passenger－car construction in every detail and are better equipped to handle this．

The Chicago distributor of this company has had a great deal of difficulty in rendering the type of service desired in order to increase the sale of cars in his vicinity. Consequently, he has introduced a new plan based partly upon the experience of two other automobile concerns. This consisted of installing a system whereby purchasers of cars could, for the sum of $\$ 5$, have the car completely and carefully inspected at the end of each 1,000 miles of driving; at this time, a full statement would be made as to any adjustments necessary that entailed more than a small amount of time, so that in effect the car owner at the end of each 1,000 miles of driving might have a complete statement of the condition of his purchase. It was expected that a considerable saving would be effected for the owner, through early detection of lack of adjustment which later would necessitate repair or replacement of parts. Furthermore, the possibility of making the slight adjustments necessary for the smooth running of the car would tend to increase friendliness of purchasers toward the company and its product.

The second part of the scrvice plan was to have a standard labor price for cach of the more common repair operations; in fact, for all operations which were not of a highly unusual nature. With the standard list of cost for repairs, it woud be possible to tell each owner desining service the precise cost of the repairs or adjustments necessary, so that there would be no misunderstanding and no tendency for mechanics to use more time than necessary for the performance of particular tasks. The plan seems to have worked out well for the ("hicago distributor.

The sales and service managers of the manufacturing company in Detroit have observed very carefully the operation of the plan in Chicago and are prepared to recommend it to all distributors.

## Question

Should the company make adoption of this plan a condition upon which agencies are to be continued?

## Pumbleal 1:31


The National Ssoociation of ('annors, eomperising rammers from all parts of tho Vnitod states packing vegotables and fruits of all quatitios, hats decoded upon a large artrortising (ampatign. Separt of this campaign athd ats a moans of stambardizing qualitios, an insperetion system was devised wherehy members willing to pay the mominal ast of sum inspertion eould have their products cortified and eontd wise at somitary label and seal. This sumtary soal was to be featured in the advertising, and consumbres were to be admonished to nse no cammed goods exerept those which bore the inspeetjon seal wed by the ('ammers' Issoedation.

A bery large proportion of cammed goods produced in the United states is sold throngh hookerage conneetions and through johbers. Wholesale egrocers are, therefore abmost miversally large dealers in eanned gooch and nsually the ontre ones with whom the arerage dealer comes in contact. The National Association of C'ammers has asked the wholesale grocers to adopet a resolution urging all the eamers from whom they buy goods to the this seal.

## Question

What attitude should the safford Wholesale Cirocery ('ompany adopt toward this resolution?

## Problem 18:

## Privite Brands

The officers of langdon \& Wedls, Inc., a firm of Wholesale grocers, are concerned with the necessity of deciding upon a policy with reference to trade-marked goods. The eonecrin has capital and resources amounting to $81,000,000$ and is in a position to make the neerssary arrangements to secure mivate brands upon
canned goods, cereals, and a number of other lines which it must handle. They are familiar with many of the arguments for private brands; one of the board of directors (a wholesale grocer of long experience) states that he has always been strong for private brands, knowing their full value and worth to the wholesale grocer. Nevertheless, he brings up the question as to whether there is a field in which private labels do more harm than good; and if, in invading such a field, the jobbers are gratifying their own pride while losing much more than they gain.

## Questions

1. What advice should be given to the firm?
2. Are there lines in which private brands are clearly advantageous?

## Problem 133

Trade-Marks for Different Qualities of the Same Product
The California Fruit Growers' Association has. through its merchandising and advertising campaign, been successful in selling at good prices the best grade of fruit grown by its members, under the brand "Sunkist."

One of the difficulties which has arisen out of this development is that the market for second-grade fruit commonly known as "choice" has become smaller and the organization has found it difficult to secure an outlet for its production of this grade. A report of the board of directors contains the following statements, advocating use of "Sunkist" for "Choice," as well as best grades:

There are certain elmomary factors conceming the California eitrus business and our advertising which should always be borne in mind:

1. We are obliged to sell the fruit as grown, having no control ower grades, sizes, ete.
2. Probably one-thind of our fruit is helow Extra Choice grade.
3. The lower grades are more diflicult to sell than the higher.
4. The propesition is not to mix the grades, hut to allow Sunkist wrapers to he wed on the " 'hoome" grades only.
5. Our advertising is directed to the eonsumer.
6. Our advertising is fundamentally not competitive; but building it around sumkist makes sumkist froit competitive with all other, including our other grades.
7. Our advertisements do not feature grade, but eating quality-uniformly good.
S. It is impossible for sunkist to represent a uniform grade with the different conditions in different districts and houses; as to grade, it only means almoe at certain minimum.

## Question

Is it good poliey to sell more than one quality of a product under the same brand?

## Problem 13t

Brand Policy-Using Two Brands for same LiNe of (ioods
The Potter (ompany manufactures an extensive line of women's shoes of high and medium grades. It has adopted the exclusive agency plan, giving the agency for its branded and advertised shoes to dealers in both larger and smaller towns. After a few years' experience, the company found that in giving the
exclusive agency to a dealer in a larger town a certain clientele would be reached by that agent but a large possible trade would not be reached at all. In the smaller towns the company often had dealers who were not entirely satisfactory, but the policy of the company had always been to carry these accounts nevertheless, since it was thought cold-blooded to shift as soon as there was any evidence of not reaching the desired quota. Likewise, the company received requests from shoe dealers in towns where there were already exclusive agents. The solution which the company adopted was that of establishing a new brand-the same qualities, same line, and same type of advertising for which exclusive agencies were granted to other dealers in the same towns. For the most part, the public does not know that the two brands are manufactured by the same concern. They are advertised competitively and handled by competing merchants. At the outset, different sales forces were used for pushing the two brands, but in time it was found that this was unnecessary. The same sales force now handles both brands, covering the two dealers handing the brands in a given town. The shoes are the same, but care is taken to differentiate the styles sold to different dealers in any one town.

## Questions

1. What are the weaknesses of the policy".
2. Under what conditions is it practical"?
3. Should the company use the same brands for a new line of girls' shoes?

## l'roblem 13:\%

## 

The following ate brief outlines of policies followed by varions concerns with regard to chamels of distribution:
(1) The Hull Paper ('ompany, of Indiamapolis, mamufacturing rorrugated and solid-fibre shipping containers entirely upon order. sells direct to manufacturers and users of shipping cases; sells only in carload lots: no middleman used.
(2) The Whittemore Motor Aecessory Company, located at Buffalo, mamfactures antomotive equipment and sperialties such as electric fittings, switches, and timerss and also Ford parts; sells to accessory jobbers exclusively.
(3) The Prescott Piano ('ompany manufactures highest-grade pianos, both grand and upright; in territory near factory, sells direct to consumers through own retail stores; in territory farther away, through retailers; on Pacific Coast, through distributors who in turn sell to retailers.
(4) The sleeper Shoe Company, with a capacity of 40,000 pairs a day, manufactures women's and boys' medium-grade shoes: distributes through jobbers, in whom it has financial interest, who resell to retailers in exclusive agencies.
(5) The Myrick Company. manufacturing tractors, separators, motor cultivators, and plows, sells through branch houses to consmmers in Middle West; through dealers, west of Missouri and east of Ohio.
(6) The Weston Knitting Company, of Utica, New York, sells all goods through selling agent in New York City.
(7) The Barker Specialty Company manufactures cloth specialties sold to manufacturers and advertisers; sells through manufacturers' agents entirely, one agent in each of 10 territories being given exclusive sales rights for a carefully defined area.
(8) A concern manufacturing a line of brushes for household use sells direct to consumers through salesmen in charge of local sales managers in 110 cities of the United States.
(9) The Chase Manufacturing (ompany produces piston rings used by manufacturers of gasoline engines, automobile mamufacturers, ete. : sells direct to manufacturers on basis of yearly contracts.
(10) The Hampton Company, manufacturing men's cravats, sells exclusively by mail to retailers.
(11) The Capen Typewriter Company sells direct to consumers through a system of branch houses.
(12) The Simborn Milling Company sells fancy patent and other grades of flour to jobbers, direct to retailers in carload lots, through brokers, and direct to bakers.
(13) A company manufacturing automatic, instantaneous gas water-heaters and other gas heaters sells through branches in 25 cities, direct to gas companies, to plumbers, and direct to users, maintaining the same prices as gas companies' or plumbers' resale prices; in tervitory outside branch territories, sales are made only to dealers consisting of gas companies and plumbers.

## Questions

With respect to the above, answer the following questions:

1. Is the distribution policy indicated the one which is most advantageous to the company, irrespective of its financial strength, or would a change in internal conditions of the company possibly involve a change in distribution policy"?
2. What are the alternative policies in each case?
3. Is the distribution policy designed to secure continuance of good will, both of necessary distributors and of consumers?

## Plabobtex 1:36 <br> 

The Hendrick ('ompany, manufacturing asbestos pipe roverings, sells dirert to plambing supply houses and to plombers direct. (onsiderable friction has arisen, jobbers of plumbing and heating supplies objecting to direet sale on the ground that the manufacturer thereby beeomes the eompetitor of the jobber in his own line of goods.

## (uucstion

Is it possible to continue the policy of selling to both johbers and retailers."

## Probblem 137

## Distribetion Polacy

In January, 1921, the California Associated Raisin Company issued the following statement to wholesalers:

We have decoded to open brand oftices in the principal distributing erenters of the Unitedstates, and will, therefore, diseontinue selling through brokers on June of this year.

The persomel of these oflieres will consist of a sales manager, under whose direction a momber of specialty men will work in the survombling teritory. We have considered this change very carefully for more than a year and are now making it, believing that it is mot only to the advantage of ourselves, but both to the wholesale and retail trade. Our brokers, in most cases, have rembered us a spendid service, but in the ver mature of things they emonot render to us the serviere of men who are dexoting all of their time to, and whose sole purpose in life is, the selling of mere "sun-Maid" raisins.

With the ehanging economic eomblitions, plas the fact that we expere the production of raisins to double in the next ten rears, makes the problem of merehandising our goods a tremendons ome, and we are making this change not because we bedieve we can save money hy doing so, but, eren though it costs us more mones, we can sell more
raisins, and if we are right in this conclusion the advantage will not only be to ourselves but to both the wholesale and retail trade.

The New York trade journals have given wide publicity to the statement that this is but astep toward the elimination of the wholesale jobber and a "direct to the retail trade" method of merchandising. Of this we wish to most emphatically disabuse your minds. Years ago we gave the question of direct selling a great deal of thought, with the conclusion that you, as jobbers, were remlering us a service that we could not begin to duplieate for the amount of your profits, and we still believe this to be true.

It is, therefore, not our purpose to attempt to eliminate you in the handling of our product, but, on the other hand, we believe it will be possible through the new plan to work closer with you than ever before, and it is our ambition to so conduct ourselves that we may merit your good will and may have your cooperation in the marketing of our crops to even a greater degree in the future than in the past, and in amouncing this change we do so feeling sure that it will be not only to our advantage but to yours also.

We are an organization of producers organized because as individuals we sold our crops year after year for less than the cost of production, and the only justification for our organization now is that we may sell our crops for something in excess of what it costs to produce them. And in spite of the criticisms of those who misunderstand or misjudge us, our sole purpose is that we may sell more raisins at a price that will show a reasonable profit to everyone who as producers or distributers renders the industry a legitimate service, and we count you among that number.

The raisin company will establish fifteen district offices, each under a district manager. Thirteen sub-offices will be opened, with fifty-eight resident salesmen, and in addition to these forces, a corps of specialty men will be maintained, sufficient in number to fully cover the trade throughout the country.

## Questions

1. Is the change in policy advisable?
2. What difficulties will be encountered in dispensing with the brokerage organization?
3. Criticize the proposed plan of organization.

## Probblem 138


The Arkamsaskito Assoriation of Wholesale（irocers， at a recerit merting（ 1923 ），adopted a resolation that manufacturers should be required to seleret one chamel of trade through which they desired to manket their products and that selling to retailers ats woll as whole－ salers constituted disammination．In other words，the manufacturer most sell direct to consmmers solely， direct to retail dealers only，or exclusively to whole－ salers．

The resohations were sent to the Ferderad＇Trade Com－ mission，with the reguest that it make a ruling to carry out the purperes of the resolutions．＇The reply of the Federal Trade（＇ommission is to the effect that the （＇ommission has uo authority to make such ruling and that members of the（＇ommission fail to find any Warrant in law for the proposition exporessed in the motion，for the reason that the manufacturer has the legal right to make his own selection of customers， provided that in so doine he does not make his selection in restraint of trade．

## Question

Would the intereste of wholesaters be served by such apolicy＂．

Probidem 1：39
1）istrabitioci Polay
Many manufacturers of identified products feel that， through developments of the past two or three decades， the functions of jobbers，retailers，and manufacturers with regard to distribution，have beeome very much confused．＇Through their own private brands and through their own factories，many jobbers have become competitors of the manufacturers whose branded goods
they also handle. Retail chain stores sometimes engage in wholesaling and in the manufacture of the products they sell, thus competing with the other manufacturers whose goods are also stocked.

As a consequence, it has been suggested by the sales manager of a certain concern that a group of manufacturers of standard lines undertake their own distribution to the retailer, establishing a joint sales organization and competing with present jobbing houses, which would not, of course, handle their goods.

Question
What are the merits and demerits of this plan?

## Problem 140 Distribution Policy

A prominent soap company, which recently changed its distribution policy radically by dispensing with the services of wholesalers and going directly to retailers, gave rise to a great deal of discussion by wholesale grocery interests. Typical of these comments is the following, taken from the Joumal of Commerce \& Commercial Bulletin:

Much has been said by the press and through other sources that a prominent soap and shortening manufacturer had eliminated the jobbers and wholesalers by deciding to market its products direct to the retail dealers. I beg to differ with those statements, however, and will endeavor to show that the manufacturer has gone into the jobbing business.

What are the functions of a jobber or wholesaler toward distributing or marketing of products?"

1. He secures a building commonty called a warehouse.
2. He gathers together an organization as follow: Manager, sales manager, credit department, buyers, office force of bookkeepers, clerks and stenographers, salesmen, shipping clerks, warehousemen and truckmen.
3. He purdiases goods from the manufacture or packer.
4. The ratroats ham the freight from the manufacturer to the johber's wathenter.
5. The johber stores the eommodite.
6. The johbrer shipe and distributes in smathor quantities (0) the retailers.
7. The goods are invoiced and rollections made for the sillie.

Let me ask fori there questions:

1. Does not the mamulaturer serore a warohouse?
2. Is not his district sales mamager or territorial man a mamager".
3. Does he not have satermen?
4. Has he not a fore of bookeepers, stenographers and clerks?
5. Who pases on the orders secured by the salemmen? Is it not the eredit manager.
6. If the district sales manager or territorial man looks over orders and sends a requisition for stock, is he not a buyer"
7. How are the goods transported to the warehouse? Is it not done by the railroads?
8. Are not the goods stored in the various warehouses?
9. Does not the manufacturer send a list of shipments and deliveries to the warehouse to be forwarded to the retailer?
10. Itave not the warehouse people an overseer or shipping clerk?
11. Have not they got to have warehousemen and truck drivers?
12. Are not the goods invoieed and eollections made for the same by the mamafacturer?
13. Do the warehonse people go to all this expense with no reimbursement?
14. Who pars the warehouse people for storage and labor?
15. Is not all this expense paid by the manufacturer?

I again repeat, the manufacturer who endeavors to distribute by a so-called direct way to the retailer using warchouses, which he must do, is nothing more nor less than a jobber. Then is the jobber eliminated?

## Questions

1. Does this state the whole case?
2. To what extent do the obvious answers to these questions justify retention of the wholesaler in distribution?
3. To what extent are they inmaterial?

## Problem 141

Distribution Policy-Financial Control
(a) The Wheat Company controls eight large factories manufacturing complete line of men's, women's, and children's shoes. The factories are located in Brockton and Lynn, Massachusetts. The product is divided into two lines: one a trade-marked line, which is widely advertised; the other a line constituting about half of the production, upon which retailers' or jobbers' marks are placed. It has been the custom of the Wheat Company to sell through wholesalers in various parts of the country. They have under consideration the plan of acquiring an interest in four leading wholesalers located in Boston, Philadelphia, Chicago, and St. Louis.

## Questions

What are the advantages and disadvantages of securing
(a) A minority interest in these wholesale concerns;
(b) A majority or complete control?
(b) The Wiggin Kintting Works, of Grand Rapids, Michigan, has purchased an interest in the Tamblyn \& Larnard Company, selling agents for various mills. Two members of the board of directors of the Wiggin Knitting Works will represent the company on the board of directors of the selling company. This selling company has had the sale of the Wiggin line for the past 15 years. Purchase of this interest by the Knitting Works marks a change in the company's affairs from a whole-line ageney into a direct selling outlet for the Coe Knitting Corporation and the Wiggin Knitting Works. The Coe Knitting Corporation, operating five knitting works in Maine, previously acquired in interest through the holdings of its general manager and vice-president. It also happens that the principal stockholder: in the Wiggin Knitting Works are likewise large stockholders in the ('oe Knitting Corporation. The combinet productions of the two companies make a complete line of knit underwear, and it would be unnecessary for the selling company to take on other mills to have a complete line. The control of the selling company, it is said, will make for economy in the distribution of products and will make the carrying out of plans for developing business on a much larger seale.

## Question

Should the Wiggin Kitting Works and the Coe Knitting Corporation consolidate and establish a selling department?

## Problem 142

Distribution Througi Manufacturers' Retall Stores
The Garrison Company started in business as clothing manufacturers. In 1868 they commenced to retail the production of their own workshops. Beginning with one store, the company now has seventeen in as many important cities of the United States, and its entire output is now sold through its own retail stores. The factory manufactures exclusively for these stores, although the stores handle many articles of men's furnishings which are manufactured elsewhere.

On the other hand, the MacVicar Company, manufacturing a widely advertised, trade-marked line of men's clothing, has no retail stores of its own but appoints exclusive agents in towns of 1,000 and upward.

## Question

Are there fundamental reasons for such difference in policy, if financial circumstances in each case do not restrict choice?

## Problem 143

Manufacturers' Retail Stores
The Seymour Company has recently acquired a factory in which it plans to manufacture a high-grade, trade-marked shoe. In studying the problems of distribution policy, the president finds that some of his most prominent competitors have established their own stores, at least in the larger cities. He finds certain other manufacturers, who are apparently just as successful and who distribute entirely through dealers. Although it would be possible for him to secure capital, he does not feel that stores should be
atablished mules their advantage can be very clearly fomonstrated. He realizes that, with his own stores, the consimmer advertising (almbaign which he has plamed could be perferdy supported. While the adrantage is sombtimes clamed that retail prices can be lowered, he is doubtfal as to this, particularly in the eaty development of the antemprise. Nevertheless, he foek that, in actual contact with the consumer, he camot only asoid substitution but can study the comsumer and his tastes, so that the product can be improved, new selling points developed, and experience gained in actual retailing practice, which can be turned to acoomet in dealing with independent retailers, shomld he desire to market part of his procluct outside his own stores. Nthongh indepondent dealers may be sometines secured through the example of successful company stores, there is great danger that prospective dealers will look upon company stores as an attempt to compete directly and will either refuse to handle or push the line, so long as they know that the company also sells direct to comsumers. Financially, stores may be lowing propositions, particularly when they are operated for the purpose of demonstrating new ideas or of impresing independent dealers. While frequently road salesmen can be trained in these stores, the periommel problem is one of the most difficult ones in connection with the management of any chain of establishments of this kind.

## Question

Since the aim of the sermour Company and its president is not to develop a small volume selling at high prices to an exclusive trade, but to develop as large a business as posible in high-grade shoes, selling at perhaps lower that usual prices for similar qualities, what considerations should determine the policy with reference to retail stores."

## Problem 144 <br> Exclusive Agencien

(a) Whether selling through jobbers or direct to retailers, many manufacturers of identified goods, particularly those which have been more or less advertised, have had to formulate a policy with regard to the granting of exclusive agencies. The three alternatives are:
(1) Refusal to grant exclusive agencies under any conditions;
(2) Granting exclusive agencies under certain conditions or in certain sized cities, but refusing such agencies in larger communitics:
(3) The use of exclusive representatives for the entire sale of goods of the manufacturers.

Manufacturers of men's branded, advertised clothing commonly adhere to the exclusive agency plan on the basis that, in order to get the cooperation of the retailer and secure his interest in adrertising and supporting a particular line, he must be assured of the exclusive right to sell the product in his own teritory.

Underwear and hosiery manufacturers are instances of firms using each of the different policies. One firm gives exclusive selling rights for its entire line or exclusive rights for either men's, women's or children's sections of the line.

Manufacturers of heating apparatus and of certain types of electrical supplies and larger household appliances very commonly adopt the policy of selling through only one dealer in a community. On the other hand, nationally advertised products handled by druggists and grocers ordinarily have not been distributed on the exclusive agency plan.

## Questions

1. Is the statement valid that for shopping goods, exclusive agencies are usually advisable; while for convenience goods, exclusive agencies are ordinarily inadvisable?
2. Does the size of the investment required for stocking a manufacturer's line of goods have any direct bearing upon the exclusive agencey policy?
3. Should the manfacturers of the following produets use the exclusive agency mothod?
(a) High-grade package chocolates.
(b) Women's branded clothing.
(c) Kitchen cabinets.
(d) C'arpenters' tools.
(e) Cheap cotton hosiery.
(f) Package coffec.
(g) Automobile shock absorber.
(h) Paints and varnishes.
(b) Some years ago, a leading candy-manufacturing company received an offer from a large dealer located on the Boardwalk at Atlantic City to handle the concern's candies exclusively, provided he were given a contract for the entire Boardwalk.

## Question

1. What should the candy manufacturer have done?

## Proble:u 145

## Exclusive Agevcy

The following is quoted from a letter to the Harvard Bureau of Business Research from a manufacturing concern located in Omaha, Nebraska:

I will state our problem as briefly as possible and will appreciate any suggestions that you may see fit to make.

We are a smatl concern doing business on about $\$ 16,000$; one-half of this is already tied up in our machinery. Our chief product is a curtain frame for drying curtains. This frame has been endorsed by some of the largest laundries and cleansing concems in the United States. We have been offered a considerable sum of money for our patent rights, but we have decided to manufacture and sell it ourselves, for we believe that we can realize three times the amount of money offered.

Up to date we have not been able to produce more than three a week, and these have found a ready market. Now our facilities are such that we can manufacture ten a week or even more. One thing that we have to bear in mind is that we must canvass our field, viz.: hotels, laundries, and cleansing houses, in as short a time as possible. There is always the fear that some other invention or some similar machine will make its appearance. Our machine sells for $\$ 200$.

Several concerns have asked us for the agency of this frame, but we have refused. Do you think it would be advisable to grant exclusive agencies to a number of these agencies and thus cover the whole field of the United States? They all require a $20 \%$ commission. Our present selling cost is approximately $10 \%$. With these agencies we would undoubtedly increase our sales $400 \%$, or in other words sell 24 frames a week. In a year's time we would make a larger gross profit, and at the same time have a larger percentage of our field covered.

What suggestions have you to offer? Thanking you in advance for your advice on the matter, I remain

Very truly yours,
The Stover Manufacturing Co.

## Question

Answer this letter, giving what you think is the proper advice.

## Problem 146

Attitude Toward Nener Type of Buyers
During the early part of 1919, a conference of farmers was called by the Kansas State Board of Agriculture to consider a cooperative buying plan put out by the board. In this plan there are three basic principles rigidly insisted upon.

In the first place, the farmers must pay cash on receipt of the goods. For doing this it is planned that each buying unit shall create a special fund in its local bank against which drafts covering shipments may be drawn.

Second, the farmers must order goods possibly six months in advance, much as some merchants do. This is to get away from the expense of carrying a stock of goods from which the farmer may select what he wants.

Third, the farmers must standardize their requirements. Each county must bunch its orders and only orders for carload lots will be accepted. Thus the State farmers' purchasing bureau will be in a position to order fifty or a hundred carloads at one time and aims to secure the lowest possible price.

For the present the bureau proposes to handle only such staple commodities as farm machinery, binding twine, salt, flour, feeds, and coal. It will have no warehouses, hoping thus to be able to operate on small capital. The goods purchased will be shipped direct from the manufacturer to the units by whom they are ordered. ${ }^{5}$

## Question

Providing the plan is adopted and manufacturers are asked to quote prices, what policy should they adopt?

## Problem $14 \%$

Policy Regarding Sale to Cibain Stores
(a) The Slocum Company manufactures a line of high-grade crackers and biscuits, which are sold direct to retailers throughout the United States, more particularly in the eastern territory. The business has in the last few years increased rapidly until, at the opening of 1921, the company was selling biscuits at the rate of $\$ 1,000,000$ per year. A new factory had just been completed, which gave increased capacity.

In February the company was asked to submit samples to buyers for a large grocery chain comprising over three hundred stores. These were submitted and compared with the crackers and biscuits then being handled by this chain. In the course of a few days, the chain declared itself ready to handle the biscuit and was given the usual terms for large purchasers.

## Questions

1. Since the annual purchases would amount to from $\$ 300,000$ to $\$ 500,000$, should the Slocum Company have accepted this order?
2. If so, under what conditions?
(b) The Billings Company, which manufactures a line of tools with established reputation, has distributed its product through wholesalers since the organization of the company. It has never sold direct to retailers. Through advertising it has established its own brands, and there has been no difficulty in disposing of the output of the factory on the basis of quality.

In January, 1920, this company was approached by the representative of a proposed chain of hardware
stores, who offered to buy a large portion of the output of this plant. There was no reguest for private brands, and the representative was willing to pay the price usually guoted for largest quantities.

## Question

Should the company accept the contract".
(c) The Taylor ( $o m p a n y$ manufactures a line of nationally advertised soaps and toilet preparations which are distributed through drug stores throughout the United states. The officials of the company are thoroughly convinced that the maintenance of resale prices is the correct policy and are endeavoring to carry it out by several legitimate means. Quantity discounts are not given for large purehases. The products are sold in chain drug stores, though generally at no important deduction from fixed resale prices. The sales manager of this company has learned that a certain chain to whom they are selling is giving substantial premiums to retail clerks to push their private brands of toilet preparations which compete with those manufactured by the Taylor Company.

## Question

Does the situation require any action on the part of the sales manager?

## Problem 148

## Policy Reghrding Sale to Mah-(Otider Houses and Cimans

The suyder \& Long Company is a firm of commission agents selling entirely through jobbers located throughout the United States. It either owns or is closely identified with the six mills for which it sells. One of the mills manufactures muslin, which for the last 40 years has been sold under the trade-mark "Pride of the West." Approximately $80 \%$ of the sales of this muslin have been in the Middle West.

During the early part of 1918 the company received two large orders for this muslin, one from a large mailorder house and the other from a chain of 50-cent and dollar stores. This chain consisted of 30 stores located in many of the cities and towns of Ohio and Illinois having a population of 15,000 ; a few of the stores were situated in smaller towns.

## Question

What factors should the Snyder \& Long Company have taken into consideration before reaching a decision on these two orders?

## Problem 149

Policy Regimding sale to Mal-Order Houses
The manufacturer of a security auto thief signal is confronted with the problem of whether to sell mailorder houses at the risk of jeopardizing his jobber house comection and good will of retailers.

Some consumer advertising has been done, but it cannot be said that there is a constant demand for the commodity which will allow the manufacturer to dictate to the jobber and retailer.

## Question

What should be the decision?

## Problem 150

SALES Pomer
Committees of the C'anadian Wholesale Cirocers' Association, appointed at a consention in 1919, were asked to come to some agreement upon the following questions:

1. Do you consider that wholesale groeres should sell direct to hotels, restamants, farmers' elubs, (oo-operative societies, mail order houses, chain stores, and to customers who are not actively engaged in the retail trade".
2. 3) o you eonsider that the wholesale and retail trade should earry the storks of the different staple lines of goods, such as camed vegetables, fruits and fish, jams and jellies, et.e., by placing orders in advanee.
1. Provided the wholesale trade agrees to eliminate a great many injurious practies that are now earried on in the trade, do you comsider that it would be advisable for us to agree to make all our purchases through the wholesale trate of the goods that the wholesale groeers handle and which we reguire, inteat of buying direet from the mannfacturers?
2. Do you comsider that wholesale grocers should sell to persons who have no knowledge of the grocery business and supply them with more stock than they have eapital?
3. Would you be in favor through the grocers' section of our ansociation, of giving retail grocers a certificate stating that they are qualified retail grocers?
4. D) you consider it atvisable that wholesate grocers should sell to retail procers who have failed in business, and who have been in the habit of price-cutting, and who have settled their liabilities at a percentage on the clollar, more than once".

## Question

As a wholesale grocer, what would seem to you a fair basis for agreement",

## Problem 151

## Determining Policy as to Price Level

In 1919 the Stann Company, of Boston, bought out at a receivership sale the plant and good will of the Devoe Beverage Company. Among the products that the Devoe Company had produced was a high-priced bottled beverage on which had been spent nearly a half-million dollars in advertising. The attempt to develop a profitable business, however, had met with little success. Based on the experience of the Devoe Company is seemed useless to the Stann management to spend more money advertising this beverage, the sales and profits of which were just large enough to pay the overhead charges of the plant purchased at the receivership sale. On the other hand, the manufacture of this article took only about 15 to $20 \%$ of the capacity of the plant. The experience of the Devoe Company indicated conclusively to the board of directors of the Stann Company that practically no additional business could be obtained by a reduction in price, nor could an increase be expected from additional adrertising.

The president of the Stann Company believed that the solution of their trouble was to produce a different beverage. Accordingly he made a preliminary investigation of the situation and found what he believed was a beverage that had every indication of becoming a big seller. The product was tried out for a short period. The management was convinced by this trial that if the new beverage was to be marketed successfully it would have to be sold by retailers to the consumer at 25 cents. To raise the price would destroy the possibility of large sales. The president had cost figures which showed that if only two direct manufacturing costs, namely, materials and labor, were charged against this beverage it could be produced and return a small margin of profit to the company. After carefully reviewing the cost figures he suggested to the board of directors that the new beverage be produced and that all overhead expenses except materials and
labor should not be charged against this product, that the manufacture of the old beverage be continued, which would, from the experience of the Devoe Company, net a sufficient profit to meet the other operating expenses of the plant.

Two members of the board of directors took a stand against such a procedure. They maintained that it was poor business policy and a breach of ethics to sell an article at a price which did not bear its full share of the manufacturing costs.

## (Question

Should the Stam C'ompany have marketed the new article at 25 cents?

Problem 159

## Price Policy

The Heddon Company manufactures a patented machine for dispensing gummed tape for packages after wrapping. The machine is of a type having no competitors in its class selling for less than $\$ 20$, although there are light machines selling as low as $\$ 5$. On the basis of finish, serviceability, and durability, the company feels that its real competitors are not the cheap machines but those sold by two or three other concerns at from $\leqslant 2$ to 830 .

The manufacturing company has very limited capital. It is necessary to cstablish terms which involve a minimum of risk. The following schedule of prices is proposed:

| No. of <br> machines <br> sold at <br> the one <br> time | Cost of <br> machine, <br> actual <br> material, <br> and labor | Cost of <br> machine <br> withe <br> overhead <br> added | Cost of <br> machine <br> to the <br> general <br> agent | Cost of <br> marchine <br> to the <br> sub. agt <br> Salesman | Cost of <br> marchine <br> to the <br> dealer <br> jobber | Cost of <br> machine <br> to the <br> buyer or <br> consumer |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 | $\$ 3.50$ | $\$ .5 .00$ | $\$ 7.25$ | $\$ 9.25$ | $\$ 10.00$ | $\$ 12.50$ |
| 10 | 3.50 | 5.00 | 7.00 | 9.00 | 9.75 | 12.00 |
| 25 | 3.50 | 5.00 | 6.90 | 8.75 | 9.50 | 11.50 |
| 50 | 3.50 | 5.00 | 6.80 | 8.50 | 9.25 | 11.00 |
| 100 | 3.50 | 5.00 | 6.70 | 8.25 | 9.00 | 10.50 |
| 200 | 3.50 | 5.00 | 6.60 | 8.00 | 8.75 | 10.00 |
| 500 | 3.50 | 5.00 | 6.50 | 7.75 | 8.50 | 9.50 |

The above prices f. o. b. Newark, N. J. Terms-cash with order, $5 \% ; 2 \% 10$ days date of invoice. Net 30 days. After 30 days $2 \%$ per month interest.

The plan is to sell the machines through general agents in particular territories, who in turn sell to sub-agents working with dealers in their respective territories. The plant is located at Newark, N. J.

## Questions

1. Is the price schedule to be recommended?
2. Are the quantity discounts justified?

Problem 153

## Price Level

The Southern Oil Trading Company, which manufactures a cooking compound called "Snowdrift," issued under date of June 7, 1921, a selling price allowing jobbers a $10 \%$ discount and $.5 \%$ cash discount, also proposing that in order to make the jobbers' salesmen familiar with selling prices, to issue such prevailing price lists to the jobbers' salesmen direct.

A New York grocery jobber, who was one of those to receive a copy of the letter sent out, protested as follows:


#### Abstract

Y'our poticy of maketing "snowdrift" has been a just one. The johners have bern making their own prices and have been reeciving a profite eommomsumate with the work they have bern domg. Jon have now changed this. A discome of bor, will not pay any jobler in this district to hamble gome gomb. Our expence of doing business is well over for", By merning to the Burean of Business Research of Harvard liniverity for can find the pereentage of doing business of the wholesale groerery trade throughout the ontire L aited states and yon will find that on this basis the jobbers eamot hamder your goods. During the past few years we have developed a considerable business on "Snowdrift" and have rnjoyed for onselvers and for our salesmen a fair protit, but on the basis that you now sugest we will have to discontinne the handling of "snowdrift" in every" way.


## Questions

1. Is this protest valid?
2. What action should the southern Oil Trading Company take?

## Probilem 154

## Price Policy

A company manufacturing a metallic filler, which is used to a considerable extent in the manufacture and repair of automotive machinery has given the sale of its product to a manufacturers' agent located in Philadelphia. This manufacturers' agent, in addition to the metallic filler, handles a crank-shaft grinder for which the apparently well-founded claim is made that it is efficient and accurate to a degree not ordinarily true of such machines. The crank-shaft grinder costs the manufacturers' agent $\$ 32.50$ and sells to the machine shop or the garage at $\$ 75$. The metallic filler is sold at $\$ 5.50$ per pound; the cost is $\$ 1.50$ per
pound, but salesmen working on a commission basis are given $\$ 1.75$ per pound commission.

The manufacturer has found that, although his product is of umusual quality. sales have increased very slowly.

## Questions

1. Should he undertake direct sale to garage and machine shops or direct to wholesalers of supplies and accessories for the automotive trade?

2 . Is the price schedule a satisfactory one?

## Problem 155

Pricing Discontinued Parts Made to Special Order
The Adler Jones Company, manufacturers of textile machinery, carries in stock a supply of the standard parts of its machines. These are used both in assembling machines and in filling customers' replacement orders for parts.

During the early part of 1915, the engineers of the Adler Jones Company changed the design of one of the standard starting-lever studs. It has been the custom to manufacture this stud in lots of 5,000 , and to sell them to customers for replacement purposes at 3 cents.' The new stud, it was found, if manufactured in lots of 5,000 , could also be sold at 3 cents apiece and return approximatcly the same profit. Accordingly the manufacture of the old stud was discontinued, and the new stud was listed in the catalog at 3 cents.

The stock of the old stud was consumed by February, 1916. On March 10th an order was received for 50 of the old studs. A lot of 200 old studs was made up, and the cost records showed that these studs cost the Company $121 / 2$ cents to manufacture.

## Question

Nhould these studs have been billed to the custom－ er at 1212 cents apiece，or at 3 cents，the old selling price，which wat also the selling price of the new stud？

## Problem 156

## Poliey of Prichgi Specha Attachmexts When Filling Replactiment Orders

For the convenience of customers，the Falcona Manufacturing（＇ompany caries a supply of the stand－ ard attachments of its machines in stock so that re－ placement orders from customers can be rapidly filled． It happens，however，that in many instances at least $25 \%$ of the attachments on each machine are made in accordance with the individual customer＇s specifica－ tions．These special attachments，naturally，are not carried in stock，and when any one of them is needed by a customer，a special manufacturing order must be started in the factory．Since they must be put through the factory as individual orders，it costs more to pro－ duce them than the company＇s standard attachments which are manufactured to stock in large quantities．

When billing a new machine that calls for a special attachment，it has been the custom of the Falcona Manufacturing Company to bill the special attachment at the same price as the similar standard attachment of the company；for example，a special attachment cost－ ing $\$ 18.50$ to manufacture would be billed to the eustomer at 85 ，which is the price of a similar attach－ ment that the company has already standardized．

## Question

Should the Falcona Manufacturing Company charge customers the actual manufacturing cost of such special attachments when made for replacement orders，or should they charge the price quoted for a similar attachment which the company has standardized？

## Problem 157 <br> Casil Discount Policy

The Davidson Rubber Company manufactures a line of druggists' rubber sundries, which it sells entirely through large wholesalers. Its terms are net 30 days, no discount being granted for cash. In its price list is the following statement:

In conformity with our policy of impartial fairness, loss or expense due to failure of the individual account to comply with the terms of sale will be provided for directly in our quotations and terms to such account and will not be reflected as an element of cost in our list prices.

The officials of the company believe that, in figuring selling prices, the loss due to cash discount must be included. This naturally increases the selling price and thus lessens the opportunity to offer an item at a low price. Nor does the quick payment of accounts, due to the cash discount offer, wholly offset the sales lost due to a seemingly high price on the item.

We allow no cash discounts; our terms are net 30 days. As a matter of fact, prices are predicated on a cash basis; but, in order to facilitate the business on a cash transaction, we extend credit courtesy of 30 days.

## Question

Is the argument against the cash discount generally applicable?

## Problem 158

## Cash Discounts

The following passage occurs in a letter from the sales manager of a concern manufacturing leather belting and other mechanical leather goods:

Within the last week we have had sereral discussions here on a problem which does not very frequently come up and upon which we have had different opinions expressed by thorough-going, confident business men of long experience. The case is this:

A customer purchtace a bill of goods, which are sold on terms of net 30 days. $\mathrm{I}_{\mathrm{i}} \mathrm{l}$ ) days for wash payment. He pm!s: his bill within 10 drays, deducting the $l^{\circ}{ }^{\circ}$ ( for cash, and upon recedving and inspecting the goods, he fonds that they are not sutable for the work for which they were intended. The matter is reported to the seller, amd he is permitted to retmon the geoste fore aredit.
lepon reeript of the erools he is sent a eredit memorandom, showing the net amomot of the original invoice less the 1"; deduction. 'Fhe net :mmoms shown on the memorandum heine exactly that which he paid for the goods.

On receving the mamorambmo he takes exeption to the $1^{\prime \prime}$, derturtion, insisting that in the purchase of the goods there are two sparate tramsations involved. First the purehate of the goods at a definite price, secondly the banking trantation wheres he is wiven for for the use of his money betwern thr both day from late of invoice, on which day the right to makis a rash tedurtion expires, and the 30th day from date of invonee. on which day the net amomet of the invoier is due.

He therefore, insists that the seller send him a credit memorandum for the grose amount of the invoice as originally rentered; in other words, he wants $1^{17}$ c more returned to him than he adually paid for the gools received.

It is our contention that in this case the buyer is wrong and that the seller is umder ohligation to return just exactly what he paid for the goods and no more.

## Question

Is the opinion of the sales manager correct?

## Probleal 159

Price Policy in Falling Market
In the spring of 1920 certain manufacturers, in an endeavor to bring the price level back to nearer normal, desired to reestablish competitive price levels, prices low enough to awaken consumer interest. During the war the custom of publishing prices had to a large extent been done away with, and consumers in many
cases seemed to have forgotten what the old standard prices for certain branded articles were.

When the standard prices were again published, complaints came from retailers in large numbers. In effect they were as follows:
(1) You publish retail prices in your advertising and deprive us of our prevogative of naming such retail prices as we see fit and such as will allow us sufficient profit.
(2) When you publish retail pricen you catch us with stock on hand. We are fored bither to reduce our prices to your amounced level and lose money or hold them up and lose trade.

## Question

1. Is it good policy for the manufacturer to advertise such decline before dealers' stocks purehased at higher levels are exhausted".
2. What answer should be given to the complaints of retailers?

Problexi 160
Rebiction of Prieges
In the spring of 1921 the James E. Ward Company, manufacturers of high-grade eandies, sold their product, which was to be retailed at the rate of $\$ 1.50$ to $\$ 2.50$ per pound, through regular distributors established for many years. It appeared, however, that the cuts made by other manufacturers to 81.25 and $\$ 1$ per pound were having some effeet upon the volume of sales of the Ward Company. Without notice to the public of any decline, dealers were provided with $11 / 2-$ pound boxes to be retailed at $\$ 1$; in other words, a decline of more than $50 \%$. At the same time a com-
petitor, the Ballard Chocolate C'ompany, retailing chocolates for $81.2 \mathrm{E}^{5}$ per pound, sold $2^{1} 2$ pound boxes for $\$ 1.50$.

## ( )uestions

1. What steps mast be taken by these manufacturers in order to retain dealer good will".
2. It is good policy to sell candy under companies' trade-marks at reduced prices:.

## Problem 161

Sliding Discounts
The shepley C'ompany, manufacturing tractors and other agricultural implements, uses the following price arrangement for its XY model tractor:

> (AsH

| Tractors Purchased | Factory list | Dealers' <br> Discomet | $\begin{gathered} \text { Dealers' } \\ \text { Net Prices } \end{gathered}$ | Dealers' Profits |
| :---: | :---: | :---: | :---: | :---: |
| 4 to 8 incl. | \$2.085. | $22^{\circ}$ | \$1,626.30 | \$458.70 |
| 9 to 16 " | 2,085. | 24. | 1,584.60 | 500.40 |
| 17 to 24 " | 2,085. | 26. | 1,542.90 | 542.10 |
| 25 to 32 " | 2,085. | 27 | 1,522.0.5 | 562.95 |
| 33 or more | 2,085. | $28 \%$ | 1.501 .20 | 583.80 |

TMME

| 4 to 8 incl. | $\$ 2,150$ | 22 | $\$ 1.677 .00$ | $\$ 473.00$ |
| ---: | :---: | :---: | :---: | :---: |
| 9 to 16 | $"$ | 2,150 | 24 | $1,634.00$ |
| 17 to 24 | $"$ | 2,150 | 26 | 516.00 |
| 25 to 32 | $"$ | $2,150$. | 27 | $1,591.00$ |
| 33 or more | $2,150$. | 28 | $1,569.50$ | 580.00 |

Questions

1. What are the advantages and disadrantages of this sliding discount scale".
2. Under what conditions is such a plan a stimulus to greater sales?

## Problea 162

Trade Discounts
The usual practice of publishers is to sell books to retail booksellers on a sliding scale of discounts ranging from $25 \%$ on a single copy up to $40 \%$ or more on 100 copies of one title. As a rule, the minimum rate is $33 \frac{1}{3} \%$. Only a few have a separate discount scale for the jobber. Hence, the only way a bona fide jobber can make a profit is to buy in large quantities and sell in small quantities. Since the dealer can get just as good a profit as the jobber any time he wants to buy the same quantity, there is a strong tendency for the dealer to buy direct. The result is that there are few real jobbers in books, probably not more than ten or a dozen concerns officially recognized by publishers as book jobbers; and, with two or three exceptions, these concerns are also large retailers.

The Robert Carter Press uses the following scale of discounts:
$10 \%$ on special publications; carriage prepaid.
$10 \%$ on law case books; carriage paid by dealer.
$15 \%$ on text-books; carriage paid by dealer.
$25 \%$ on 1 to 4 copies regular publications; carriage paid by dealer.
$331 / 3 \%$ on 5 to 24 copies regular publications; carriage paid by dealer.
$331 / 3 \%$ and $5 \%$ on 25 to 99 copies.
$40 \%$ on 100 or more copies.
It is known that the discounts to the trade average from $5 \%$ to $8 \%$ below those of other publishers. The policy of the company has been against the granting of any discount on sales to libraries. Sales to libraries have been very small, although most of the books published by the concern are of a non-fictional nature, and it is estimated that libraries purchase $10 \%$ of all the non-fictional works. There has developed a practice among libraries of purchasing through large jobbers or agents, who make a specialty of the library business. The reason for this development is said to be the failure of publishers to allow discounts to libraries. The job-
bers or agents allow libraries a discount of 10 per cent. In dealing with them the libraries economize in accounting cost, because they deal with one johber rather than direct with many publishers. Aso, the serviee rendered by these agents caluses them to be preferred to some extent, becanse buyers can visit the booksellers in the larger eities, buying the books they wish and obtaining immediate delivery. It is said that these advantages could be easily offset by publishers generally, and by the Carter Press in particular, through increasing the discount to libraries to a mimimmo of 20 off list. Several leading publishers have recently anounced the granting of as large a discount as this.

## Questions

1. Would it be good poliey for the Press to grant a discount to libraries?
2. To what extent would a discount to libraries tend to antagonize retail booksellers?
3. What change, if any, should be made in the discount rate to dealers?

## Problem 16:3

Bhalig: Goods at Fictitiocs Praces
The Leavitt Manufacturing Company produces men's and women's Goodyear welts and turned shoes. The output of its factorics is apposimately 6,000 pairs per day. The company sells the largest percentage of its product to shoe wholesalers. The balance is sold only to large individual buyers, such as department stores and retail shoe chains. The wholesale houses receive a standard wholesale trade discount of $15 \%$, which is based on $122^{\circ}$ o operating expense and $3 \%$ profit
for the wholesaler. The company has standardized the cash discounts which it offers when selling direct to the large individual buyers and has established varying cash discounts for the different grades of shoes that are made. For example, Style 2135 is manufactured to net the company $\$ 4.70$. This price includes the cost of the materials, cost of manufacture, and the company's profits. The discount given on this style when sold direct to the individual buyers is 6 per cent. Thus the shoe is offered at $\$ 5$, or, less the discount, $\$ 4.70$. The dating terms are 30 days net.

Frequently the salesmen, when selling to department store buyers, have been told that it is necessary for them to receive a cash discount of $10 \%$, as their executives require them to obtain a $10 \%$ discount on all purchases. The salesmen of the Leavitt Manufacturing Company have been instructed to state that their $6 \%$ discount is standardized and to tell the buyer that, if he insists upon a higher discount, they are willing to change the billed price of the shoe from $\$ 5$ to $\$ 5.25$ if a $10 \%$ discount is required, but that under no consideration will the Leavitt Manufacturing Company sell the shoe at a price less a discount that would net the company less than $\$ 4.70$.

## Question

Is such a policy of arranging a fictitious billing price advisable from the point of view of the Leavitt Manufacturing Company"?

## Problem 164

Prace Polacy
The Redmond Tire Company, manufacturing a line of premmatic and solid antomobile tires for pleasure cars and trucks, has list prices on solid tires practically the same as other leading makers. The discounts given to the distributor are 10, 10 and 10 , and $5 \%$ cash 10th proximo. ln addition, they have an extra in, rebate proposition operative on a $\$ 10,000$ volume net. On reaching this figure, a credit is applied to the customer's account to be taken out in new goods. Immediately, on additional business the extra $5 \%$ becomes operative in addition to the regular distributor's discount. In other words, the discoment, after an account reaches a $\$ 10,000$ volume, is $10,10,10$ and 5 , and $5 \%$ eash 10 th proximo.

The sales organization of the company is directed to exercise caution on the $5 \%$ rebate proposition. It must not be used promiscuously and must be used only where there is no doubt of the distributor's ability to give a minimum of $\$ 10,000$ business within one year. The branch managers must personally approve the rebate before it is offered. The organization finds that there is a tendency on the part of branch managers to grant $5 \%$ rebate even where the requirements have not been met. Competition has been very severe, and branch managers say that it is necessary to make this concession.

## Question

Assuming that conditions are as asserted by branch managers, should the Redmond Company change its terms so as to conform, or permit the making of concessions when necessary to secure orders?

## Problem 165

Quantity Discount
Many of the leading biscuit makers sell their products on a quantity discount basis, the amount of the discount depending upon the money value of the orders of the customer in any one month. For example, the quantity discounts of the Bacon Company, one of the largest concerns in this line, run as follows:

| Purchases amounting to $\$$ | 15 receive | $5 \%$ |
| ---: | :--- | :--- |
| 50 | 10 |  |
| 100 | $121 / 2$ |  |
| 150 | 15 |  |
| 1,000 | 16 |  |
| 2,000 | 17 |  |
| 3,000 | 18 |  |
| 4,000 | 19 |  |
| 5,000 | 20 |  |

There are occasionally further discounts for extremely large quantities.

The Wason Company, an independent baking company producing a high-quality biscuit, has adopted the plan of giving in every case a quantity discount which is somewhat more favorable than that of its main competitors. For example, where the Bacon Company gives $5 \%$ on $\$ 15$ monthly purchases, the Wason Company gives 50 on $\$ 10$. It is said that this change gives the Wason Company a considerable advantage, particularly in the very small neighborhood stores. Furthermore, the Wason Company offers throughout the range a discount schedule which is considerably more favorable than that of its competitors, consequently giving the salesmen a strong selling point.

The Wason Company, upon the building of a new factory, accepted a contract from a chain of 200 stores to supply them with about $\$ 400,000$ of biscuits per year. By virtue of the discounts granted, this company was able to sell certain crackers, which it featured in advertisements, at retail prices less than the prices paid by the Davis Wholesale (irocery Company,
located in the same city as the chatin of stores. The president of this wholesale grocery company, Mr. Mullen, has written a letter to the Wason Company, ralling attention to the fact that retail prices of certain arackers are less than the prices paid by the wholesale company, with the statement that matess this situation is rectitied the wholesale company will be compelled to diseontinue handling the Wiason line. At the same time, letters were receised from retailers competing with the chain stores to the effeect that they could not afford to sell the particular cracker advertised and featured by this whain at the price quoted, asking for adjustment of price levels, and threatening to discontinue handling the line meses something were done.

Question
Write a letter to the president of the wholesale groecry company giving your decision.

Probien 166
(20antity Dincolent is. Jobbers Dhacout
The ('arton Company manufacturing for the hardware trade an article widely advertised and backed up by an eflicient sales force. found that in the period from 1916 to 1920 there had been very little increase in volume of sales. $A$ study of records and reports of salesmen showed that dealers had a temdency to overstock the product. Overstocking the product, which is seasonal in its nature, tended to cause loss of enthusiasm and good will and lose of a number of the best customers each year. The records showed that comparatively few jobbers were actively pushing the article, that many were handling it not at all, and that
most of those who did carried minimum stocks merely to satisfy occasional demands of customers. The retailers on the company's customer list were for the most part the larger retailers, while the majority of small retailers did not handle the article.

The sales manager claims that the price policy of the company is responsible for this condition. He states that the plan, which consists of a sliding scale of discounts whereby quantity bought determines the price, tends to induce orerstocking and discouragement of the small dealer. The fact that no distinction is drawn between jobbers and retailers, although jobbers are quite active in this field, is the reason for the failure of jobbers to handle the article and bring it before their customers.

## Question

Is revision of price policy likely to be a sufficient remedy?

## Problem 167

## Price Guarantee

The following statement was issued by the secretary of an association of wholesale grocers:

Therefore, it seems to us a distinct cleavage should be made in classifying merchandise which is or is not guaranteed against price declines and our way of looking at this would be:
(1) Where the value of the raw material sold is a very small part of the value of the article offered; where the price is, therefore one which is entirely a matter of what the manufacturer cares to ask, and where the buyer has no market to guide him, the price ought to be guaranteed against decline not only until shipped, but until sold.
(2) Where there is a distinct market which governs the raw material; where the buyer has every chance to keep himself posted on this market; where the cost of the manufacturing is small and casily obtainable by the buyer, and where he has an equal chance with the seller of knowing what the by-products, if any, are bringing, then it is poor
business to guarantee prices, and very disadvantageous to the wholesale grocer, as it discriminates in favor of the poor buyer to the detrment of the buyer who studies his business.
(3) In redtain unsettled and widd matrets it is essential for the mambateturer who is desirons of having the wholesalers carry suflicient floor stork of his merchandise, and when the lnyer's best judgment tells him that it is not good business to carry any stork at all, then the manufacturer who desires to hatve his goods on the wholesaler's floors will find it to his own advantage even mader condition two, to guarante his priee against dereline. What this amounts to is merely ronsigning with the added advantage that the manufacturer gets paid for the consigned stock instead of wating until it is sold. The bencfits in this case are not to the buyer, hat are all in favor of the sellere.

We, therefore, think that no hard and fast rule can be laid down that all goods should be guamanteed against dechine in price, but that the question of the character of the merchandise and the situation of the manufacturer should be the governing con-ideration:. Precedents even should not be considered, ats all precerlents are made to be broken some time.

## Question

Are these generalizations soumd?

Probley 168

## Price: Gutantee

At a meeting of the American C'otton Manufacturers' Association, it was proposed that the custom of making contracts for delivery, extending over a long period at a fixed price, be discontinned whenever possible. The president said, in part:

When it is desirable for at purchaser to protect his source of supply for some monthe ahead, let the mill enter into an agreement to reserve a given number of looms or spindles sufficient to produce the desired amount of customers' requirements at an agreed differential orer cotton. Under this arrangement the purchaser would be assured of his cloth or yarn and the mill could buy in the cotton and fix the price on :m agreed day during month preceding month
of delivery. Likewise, the mill would be assured of orders for steady operation of machinery and could contract for its requirements of cotton on a "call basis"-the cotton to be "called" and price fixed on date agreed upon with the customer. This plan of buying cotton by mills has become more and more common during the past few years.

It was suggested that, since it had proved satisfactory to cotton merchants and mills, a similar plan might prove satisfactory for the sale of cotton textiles.

## Questions

1. What are the advantages and disadvantages of this plan from the view-point of the cotton mill?
2. From the view-point of the wholesaler?

## Problem 169

## Price Guarantee

During declining prices in 1920, much public attention was called to the effects of the practice of guaranteeing prices against decline in rarious lines, when orders were taken for future delivery. The Federal Trade Commission sent a questionnaire, late in 1919, to those interested in the subject, asking representatives of various industries to express their opinions upon the question of guarantee against decline in price. Later, hearings were held and a digest of the replies was published. Among the industries in which there were several replies favorable to price guarantee were agricultural implements, grocery jobbing, hardware wholesaling and manufacturing, paint and varnish manufacturing, and paper manufacturing. Among those represented by several opposing replies were the coffee, extract, and spice trade, cordage and rope manufacturing, cotton goods and thread manufactur-
ing, iron and steel manufacturing, knit-goods manufacturing, milling, oil athd petroleum. Typical replies may be quoted to show the difference in opinion:

I manufacturer of agricultural implements says, in substance:

Much in favor of this (olstom, as believe principle as applied to undelivered portion of contracts, such as steel bars, ete., has temelency to in-ure regular and continued factory operation, alse gives mamufacturer opportunity to buy on much lesis flumbating market. However, it should he permissive ame mot mandatory.

Snother manufacturer in the same line:
Believo guarantee moressary to agricultural implement industry. Mamufacturers' storage facilities are limited to two months' output, and jobbers will not buy season's requirements in adrance without warantee. Present practice permits more even distribution of shipments. Guarantees should be limited to following conditions: to definite date, immediately preceding farmer's demand; only to declines in manufacturers' own price; and cover only goods on hand at sperified date. Sole object of extending guarantee shoukd be to bring about better factory operations and more even spread of shipments.

In the drug trade, members of the National Wholesale Druggists' Issociation expressed approval for the following reasons:

Encourage jobbers to carry alequate stocks, stabilizes relations between manufacturer and jobber and assures more contimous operation of factories, with resultant steady employment of labor. Manufarturer in touch with primary markets and able to closely estimate future conditions. Jobbers profit too small to permit assumption of possible loss. Approximately $70 \%$ of goods handled by wholesale drugeists subject to price fixed by manufacturer. Practice is aid to manufacturer in providing complete and quick distribution to consuming market. Do not believe guarantee results in higher prices. In cases of epidemic, if insufficient stocks in hands of jobbers, abnormal demand quickly drives up prices.

## Grocery jobbers:

To abandon policy would lessen car-lot shipments, adding cost to consumer and would eliminate cooperative
plan by which manufacturer has free use jobber's floor space in exchange for guarantee, adding to manufacturer's cost, paid by consumer. Large dealers in season of plenty would stock on speculative basis, taking advantage of markets as they advance. Small dealers at a disadvantage with firms of large resources unless price guaranteed to all. Loss dealers sustain without guarantee made up in some other way and consumer pays. Present plan affords consumer supply at correct prices; also affords carriers even freight movement. To prohibit guarantee would congest stocks at manufacturing plants.

Practice applies chiefly to proprietary or much-advertised brands of foods, which assures adequate stock in hands of distributors, on which the distributor and retailer make smallest profits, a profit established by the manufacturer or by keen competition. Retailers usually operate with limited capital and the obligation is imposed upon jobber to keep sufficient stock for quick demand, entitling him to guarantee against decline in price. Distance of jobbing centers from manufacturing regions additional reason for distributors carrying heavy stocks. Guarantee prevents losses otherwise occuring in wholesale jobbers' trade. Do not believe practice operates to disadvantage of small manufacturer.

A manufacturer of metal wheels receives and dispenses guarantee privilege; guarantee relates only to unshipped goods; disapproves of guarantee on goods shipped unless shipped on consignment; does not believe custom demoralizes trade, but permits jobber to meet competition when price decline sets in.

Among the opinions opposing price guarantee were the following:

## A New Orleans coffee jobber:

Actual experience many years guaranteeing against our own advance or against decline ( 60 to 90 days) to cover period date of sale to date of shipment, have observed great abuse and sustained substantial losses. To cite specific case: April and May 1919, when coffees were undergoing substantial advances, had 60 and 90 day contracts outstanding and sustained in June 1919, operations net deficit of $\$ 7,988$. During July and August 1919, market declined rapidly. Submit that this policy one of the most abominable and expensive customs in merchandising. July 1919 withdrew 60 and 90 day and substituted 30 day guarantee. One
customer offered contract for 1920 requirements at fixed price. Wo declined their business on such hasis. Practice leads to orerstorking on roasted colfee.

A large cortage manufacturer believes the provision unfair and minust to mamuacturer and expresses opinion that so-called "contracts" are merely options to jobbers and carry no adrantage to manufacturer, because manufacturer does not execute and live up to real contracte for raw materials.

A southern ("otton mill:
Believe guarantere uncound and unreasonable. It is a one-sided contract. We buy raw materials in markets subject to Huctuation and we wo reason for granting our customers such favors.

I New York (ity food mamufacturer:
Practice fundamentally unsound. Would inject speculative feature. Contracts for raw material not subject to protection against dedine. If we guarantee prices, we assume risk and find ouselves "Playing the market," with attendant evils. Have found, even at higher price, jobbers give business to those who guarantee prices. Under guarantee system, jobber ascumes no risk; encourages him to contract for mere than legitimate needs in anticipation of speculative profits. Overthying puts greater quantity products than necessary in trade chamels. Guaranteeing prices means expense to manufacturer, same as other costs of selling, and consumer pays it. When prices raw materials dectine, manufacturers reluctant to reduce prices because of contracts at higher prices.

A hardware jobber:
Believe that custom, if practiced universally, would tend to inflate prices and restrain manufacturers from making reductions while guarantees were out. However, recognize that under existing circumstances it is necessary to guarantee prices in order to market goods for entire season.

The Bolt, Nut \& Rivet Institute expresses the belief that such guarantee is practically option given to buyer to accept or reject goods, encourages speculative buying and inflates orders, creating artificial prices; guarante beyond date of shipment is vicious, as rebate in most cases is really additional profit. Such form of
guarantee does not prevail in bolt, nut, and rivet industry. Cuarantee effective until date of shipment is practiced in this industry and is not regarded as being so pernicious, although it rloes introduce a speculative element in business. The Institute would welcome the abolition of this practice; not believed that reform can be brought about within the trade.

An association of tin plate manufacturers:
After thorough discussion, officers of this association instructed that it is the firm comviction of its members that practice is vicious and detrimental. No good reason why manufacturer should assume further responsibility after making sale in good faith and on acceptable terms. Practice is inimieal to best interest of those willing to back business judgment with their own money. It places premium upon ignorance, inexperience, and incompetency, and encourages expansion beyond financial resourers. Believe it encourages newcomers to attain in brief time position it has taken others years to attain.

## The National Machine Tool Builders:

Following the armistice, fearing disturbed business conditions some jobbers could not be encouraged to buy without guarantee, which did not extend beyond six months. Practice is now not followed in this trade and is not believed to be good business.

## Questions

1. Should a shoe manufacturer guarantee prices against decline when selling his next season's line?
2. Should a canner guarantee prices when selling through brokers to wholesalers:"

Probisa 170
CNiforin Prieq Policy
I wholesalde grocery is plating a new man in a territory，which has been worked by Mr．Smith， recently resigned．On the first day，Mr．Moore，the new man，reported that simith had gotten most of his business by offering special discounts，which were to be paid out of his own poeket；these ranged all the way from 1 to 5 per cont．It appeared that the dis－ counts which had been promised would have practically swallowed his salary for the emsuing month had he stayed with the company and made good his promises．

The company had known that，for a considerable period，smith＇s business was being secured on the basis of serret discounts，but reasoned that he was selling satisfactory volume，was collecting bills，and that the company wats not concemed further．Never－ theless，the reports of the new saleman showed that the territory was in bad shape and that to get back upon a regular and profitable hasis would require considerable time and effort．This was important， particularly because the wholesaler specialized in certain private brands，on which for many years he had obtained a very satisfactory volume of business．

The sales manager feels that he must determine once and for all his policy toward inside discounts．

## Questions

1．Should he tolerate such discounts when known to exist，or should salesmen be discharged if it becomes known that they buy business＇．

2．Should salesmen be ahowed to make concessions in prices if they think it necessary in order to secure business．＂

## Problem 171 <br> One-Price Policy

The question whether or not to maintain a one-price-to-all policy is a problem which faces certain wholesale grocers. Many retailers feel that they are getting a big advantage over their competitors if they are able to beat down the wholesaler's price a few cents. Certain wholesalers make a practice of raising their prices slightly in order to reduce them later by apparently permitting the retailer to get the better of them in a bargain.

The Machada Wholesale Cirocery Company, of Brooklyn, New York, sells groceries, bakery goods and meats to a number of small shops operated by foreigners in the lower East Side district of New York City. As these shops are often operated on extremely limited capital, credit must be extended by the wholesaler to these dealers; but many of these foreigners are governed by such questionable business ethics that the credit risk in dealing with them is very great. It is not uncommon to have one of these dealers move away suddenly without paying his bills. To guard against losses from bad debts from this source, the Machada Grocery Company adopted the policy of increasing the prices to these dealers in order that even after a bargain had been made and the price reduced slightly from the original quotation, the goods would be sold at a price slightly higher than that given to American storekeepers. In this manner a fund was gradually built up from the excess charges against the foreign shopkeepers in order to insure the Machada Grocery Company against losses from bad debts from this source. Thus the class of shopkeepers responsible for a large proportion of the bad debts were made to bear the expenses of this additional credit risk.

## Question

Should the policy be continned?

## Problem 17e

## Prate-Ctotivi

Somm manmfatmrers of toilet accessories make a pratetere of sedling at tixed priees, irrespective of quantity, amd endeavor through legitimate means to keep retail priees at a fixed lesel. On the other hand, most mamufacturers of such products will give (fuantity price for a purchase of, sty, five gross of the product, varying from $\mathrm{lo}^{\circ}$, to $20^{\circ}$, off the single-dozen price. A mamofacturer with limited resourees is always confronted with the problom of policy with respect to quantity priees. If he makes concessions for larger purchases, he immediately gives an inducement to chain groceries and drugesists to handle the product; and, with their price policies, the possibility of cutting prices in competition with other types of dealers is always present. A common view-point of manufacturers of widely advertised articles is expressed in the following letter from a company producing a nationally advertised toilet soxp. The manufacturer was asked his opinion regarding price-cutting, which was carried on by several drug and chain-stores in a large rity.

Price-cutting is an evil to which all successful advertised produets are subject. It is a compliment to a product to have it used as a leader hy department stores and large dealers, since it shows that they consider the product as possessing great pulling power. It, however, injures the product in the eres of the public and it also injures the article as far as other dealers in a commmoty are concerned.

When large department stores cut the priee of a product, it is extremely hard to keep the smaller merehants in a town in a friendly attiturle. Probably the growsales of an article are not affected by prier-rutting in a town, since the pricecutter disposes of an immense amount of the merchandise. Pricercutting is not immaterial from our point of view. We, howerer, have to make the best of it, in the face of the fact that it is umburul for a manufarturer to try to maintain the resale priers of his goorls. Until such time as the mamufacture is enabled to control to a certain degree the resale prices of his prolucts, he is going to be injured by prieroroltting.

On the other hand, through refusing to sell to pricecutters, the concerns selling direct to retailers are able to exercise a degree of control over price-cutting. In the controversy concerning price maintenance and price-cutting, the statement is sometimes made that quantity discounts and maintenance of resale prices are inconsistent policies and that no company granting quantity discounts can logically establish uniform resale prices.

## Question

Are quantity discounts and price maintenance inconsistent policies?

Problem 173
Price-Cutting-Discount Policy
In the rubber tire business it has been customary for manufacturers to issue customers' and dealers' price lists. The dealers' list is a net list, except for $5 \%$ discount for cash. It has been the policy of the industry as a whole to adhere to these price lists, except for jobbing accounts where an additional jobbing discount is given. The Langley Company has uniformly adhered to such a policy. During the recent period, competition has been very keen in the tire industry and the larger companies have had a very hard struggle to maintain their percentages of total sales. Very recently the Langley Company has learned that several of the larger companies have been favoring selected accounts, giving them an extra $10 \%$ discount. The problem has been put up to the new management as to the policies to be adopted to meet these tactics.

## Questions

1. Should the sales manager give the extra $10 \%$, a volume rebate on business for the whole year, a volume rebate on a sliding scale, or adhere strictly to list prices?
2. What would be the result of the application of each policy?

Problem 174
Prele: Mantenance
The (iencral Chemical Company is toclay expending a certain portion of its advertising appropriation for sales and advertising service through the retail grocers themselves, backed by the Ryzon sales Policy, which is stated as follows:

Ryzon, the Perfect laking Powder, is priced uniformly to consumers at standard prices quoted on invoices, specified on packages and advertised to eonsumers, and every effort will be made to standardize such prices.

Accordingly, dealers (whether wholesalers or retailers) who disregard these prices will not be used as distributors of Ryzon.

Ryzon is guaranteed to give satisfaction to consumers.
The sales manager of the company makes the following statement in support of this policy:
(1) The manufacturer, having established and published a uniform price, is enabled to concentrate upon problems of production, to make the most satisfactory product and make it most economically, with known costs and known income.
(2) The wholesaler is relieved of speculative trading and serves and is served by being free to develop distribution along economic lines of fair trading.
(3) The retailer is afforded a fair, uniform, constant profit for the service be renders, based on the movement of the goods and not on his willingness to resort to overstocking, price-cutting or other uneconomic practices.
(4) The semi-wholesaler (or chain-store dealer) may handle the goods on terms which recognize his large turnover and economical selling methods, and yet prevent him from undermining the trade or service on which the public depends for $90_{\sigma}^{\circ}$ of its supplies.
(5) The consmmer, because of these economies in manufacturing and distribution, may be supplied with a demonstrably superior product at a uniform price which may be materially lower than other similar less efficient goods.

## Question

Was adoption of the policy justified from the viewpoint of manufacturer and wholesaler?

## Probleen 175

## Publicity of Plice Quotations

Particularly during the latter part of the war and later, considerable publicity was given to prices of percales and other cloths in daily newspapers. Since such prices were given out, the National Wholesale Dry Goods Association advised its members to request percale printers to name list prices subject to trade discounts. The following letter was sent to the converters and concerns selling percales:

You are fully aware of the harn done to retail and wholesale distributing trade by the publication in the daily newspapers in cities throughout the country of the mill prices on pereales and on well known branded lines of bleached goods.

Therefore, it is felt that if the distributing trade may have the cooperation of the primary market factors by the naming of long prices with diseounts it will secure better distribution under more satisfactory conditions, both by wholesalers and retailers.

You understand that in the past when consumers and retailers saw these mill prices they lost sight of the fact that freight, selling expenses and warehouse expenses had to be paid by the wholesaler, and they felt a resentment which was not warranted by the facts.

It will aecordingly be appreciated if you will consider this request for a change in the method of pricing, and we will be glad to know whether or not you are inclined to the opinion that the plan of naning a gross price, less trade discount, on percales appeals to you as desirable.

Secretary Fernley and the executive committee have been at work on the matter for some time. One of the difficulties in the way of naming prices on a long basis, when similar cloths go to the cutting and jobbing trades, is that the cutters buy on a net basis and do not want long prices. Moreover, it is questionable in some instances whether the net price basis does not satisfy the largest consumers of the cloths.

The printers have no prejudices in the matter, but they say that even when they refuse to give out prices it simply means that the prices are secured from other chamels and more harm than good results. The recent publicity given by daily newspapers to great price reductions is hardly likely to be continued, for the very good reason that minor
price radjustments acase to be news, and do not appeal to the average daily newspaper reader. But when ents of 50 per cent of more are matre ath the facts are wanted as news.

The gamment trades prefer the quotation of prices on a net basis. 'The printers themselves have no desire for one price or the otler, so they elam, but they say that it is impossible to kere prices secret by simply refusing to give prices to the press.

## Question

What should be the attitude, with reference to this request, of the officials of the Longworth and Harrison Company, sellers and converters for several Fall River mills?

## Problem 176 <br> Piblicity of Costs

Theodore H. Price, at a session of the convention of the National Retail Dry Goods Association, proposed that retail prices be checked periodically with wholesale prices and the percentage of mark-up, including expenses and profit, be told to the consumer. A sales check which bore only the cost of the merchandise, checked to reflect the market in the wholesale field, was an integral part of the proposal. In this way, he declared, the public could be assured that they were receiving their money's worth and that the retailer was passing on to the consumer the benefit of market changes.

It would be evident that my sugestion regarding the sales cheek contemplates a candid diselosure to both your employees and customers of the percentage of profit you aim to make ant the cost of distributing the goods in which you deal. The public does not understand what it costs to eonduct a retail business today. They compare retail
prices with wholesale prices, conclude that the difference is profit, and are angered. I think you owe it to the public and to yourself to make it plain that you are not overcharging for the work you do and are not profiteering in the prices you ask, because they must include not only the cost of the goods but 101 other things from telephones to delivery wagons which are necessary in the conduct of an up-to-date retail establishment.

## Questions

What should be the attitude toward such a proposal
(a) of the sales manager of a concern producing a grocery staple;
(b) of the manufacturer of women's trade-marked cloaks and suits?

## Problem 176

## Open Price Associations

The sales manager of an asbestos brake lining company has received the following letter:

Dear Sir:
At a recent meeting of the executive committee of the Brake Lining Trade Association, much interest was displayed in a proposition to form an open price association, in the operation of which we shall exchange prices and quotations through the office of our secretary. This secretary will also collect statistics of production and sales and make them available for use at regular intervals.

The plan proposed follows very closely that outlined by Eddy in his book, "The New Competition." Would you take the trouble to look over that book and give us your opinion as to the feasibility of such an association and information as to whether you would be willing to join, if a sufficient number of concerns could be secured?

The Asbestos Brake Lining Company is one of a dozen firms manfacturing absestos brake limings and fabrics. It advertises its product extensively under brands which are now well known. Its prices are usually somewhat higher than the prices for unadvertised goods of a similar character, but it makes special (effort to keep) the quality of its branded products uniformly high.

## Question

What answer should he make to the letter?

Problem 178
1)rop-shimpant Pohicy

Manufacturing concerns, whose goods are distributed through jobbers to retailers, frequently undertake to create demand with retailers by means of advertising and personal solicitation of their own sales forces. It has been found that one of the problems connected with the introduction of food or other specialties is the difficulty of getting the dealer to order a sufficient amomet to give him more than a perfunctory interest in pushing the product. Consequently, the manufacturers of breakfast food, tobaceo concerns, and soap manufacturers have all from time to time engaged in the practice of making drop shipments-meaning, usually, the shipment of a specified minimum amount direct from the factory but billed through the jobber. This means that the jobber takes the credit risk and is compelled to handle a certain amount of the product to fill repeat orders. The inducement for the retailer is usually the prepayment of tramsportation charges by the manufacturer and, occasionally, a reduction in
price or an offer of free goods amounting to a reduction in price. From the view-point of the manufacturer, the drop shipment has the adrantage of placing his goods upon the shelves of the retailer in sufficient amounts to insure the interest of the retailer and the satisfaction of consumer demand for a time.

On the other hand, certain jobbers are accustomed to offer a special discount to retailers on drop shipments, justifying their practice by the fact that there is no physical handling of the goods and that their margin is sufficient to warrant making a special reduction to the retailer. From the view-point of the jobber, there is much complaint that the specialty salesmen of the manufacturing concern endeavor to influence the retailer to place his order through this or that jobber, not allowing orders to fall as they might. Certain other abuses have also developed.

At a recent meeting of the National Wholesale Grocers' Association, the following resolution was framed by the executive committee:

In view of the fact that grocery products move to a great extent from the manufacturer to the wholesaler at C. L. rates of freight, it would in most cases be more economical to make drop shipments from jobbers' stocks; and to the extent that economy may be effected by such shipments from jobbers' stocks, the executive committee of the National Wholesale Grocers' Association recommends that drop shipments be made from jobbers' stocks because factory shipments necessarily move over longer hauls at the L. C. L. rates.

## Question

What should be the attitude of the local jobber toward this resolution?

P180円sbぶM 17！<br>

 in July $19{ }^{2}$（ 0 afopted the following resolations：

1．In view of the fact that spring hasiness on wool dress fathios is matively light，wo，as hers，（an operate more intelligently if the naming of priose for sming l！ 22 is deferred until Octoher $1 . \mathrm{F}$

2．Whereas，we，as wholesalders，and in eo－operation with our retail tade．have sumersfully ablabhed private tickets on certain bramts of wingham ant other fabrics，we believe we are entitled to contimue the use of these tickets and should not be deprived of the value of the gend will therehy created．

3．In order to put all wholesalers on a competitive basis，we reguest the mills and solling agents to sell their probuct f．o．b．N゙ew York amd not f．o．W．mill mader terms established as a war metable

4．Whereas．wo apperetate the eotemeration of the manufacture in naming list priece on qinghams，we believe he is entitled to have those sehedulas immediately reflected in all branches of the industry a basis of true value．

5．Whereas．the sale of ginghams on a list hasis has been mutually satisfactory to wholesaler and retailer，we believe that the next price－on perates shouk eary discounts and we take this oreasion to thank the mille for their assur－ ance of eo－operation to this ent．

6．Whereas，only eertam fantors in the manket have complied with our former reguest to bestore spring and fall dating on seasonahle merehamdise，we do herehy re－empha－ size the importance of this matter to the whotesaler and renew our request that all mills make provision for granting season＇s dating when maning price．

## （Question

What should be the position of the selling agents for a group of mills mamufacturing various cotton textiles with regard to the rarious resolutions？

## Problea 180

## Policy Regarding Selling on Memorandum

In the fall of 1920, after the flood of cancelations had subsided, selling houses in the textile trades found themselves with large stocks for which no customers could be secured, because of the inability of anyone to foresee the extent of price reductions.

To assist many customers and keep goods moving, several of the largest houses have adopted the policy of placing goods on memorandum. This immediately led to a sharp difference of opinion as to the wisdom of pursuing the memorandum policy at the time. Some houses always have sold in that way. Others have tried the policy and abandoned it. Some have not used it in any form for a generation or more. One of the large houses adopted memorandum selling in sales of brown and bleached cottons, but not on colored goods. Some stopped short at bleached cottons and would not apply it to percales and wash fabrics. Selling agents for eastern mills were quicker than others to adopt it, but some of the largest eastern concerns would have nothing to do with it at the time.

Those who have adopted the policy recently, likewise many buyers, look upon memorandum sales as a necessary act of cooperation with the distributor at a time of grave uncertainty in financial and merchandising markets. Merely naming still lower prices, it is contended, would mean a further slash at inventory values without giving the buyer any opportunity to recover. Under the practice of memorandum, the title to the goods rests in the seller until a new price is named, and the goods sent on memorandum are charged. In the event of any forced liquidation by the buyer, the goods shipped will not become a part of general liabilities and any money received for them will have the same standing as any sums due for consigned.

Several of the largest eastern manufacturers are aggrieved that the policy became general at this time,
stating that it was an invitation to look for lower prices just as long as the goods ordered remained uncharged. since one of the prime purposes of the stecep reductions in ginghams, pereales and other goods Was to establish a hasis of value for a definite period, it is contended that the memo policy hurts the purpose of constructive acts in merchandising, without giving any promise of stability at any time before the goods shipped are finally priced.

## Question

Was selling on memorandum, mader the conditions prevailing in the fall of 1920 , good policy"?

## Problem 181

## Advertising Appropriation

Late in 1920, Printers' $I n k$, in discussing methods of building an advertising appropriation, stated that the various methods commonly followed in making an advertising appropriation might be described under 11 headings as follows:
(1) Taking out an insurance policy, in the form of advertising investment, to protect a company's accumulated good will.
(2) By taking a certain perentage of the sales. Sometimes the sales figures for the past year are used, and in other cases the anticipated sales for the coming year from the bavis of computation.
(3) By an assessment on a certain unit of the product. Here, also. the number of units sold in the previous year or the number of units that is expected to be sold next year, may be used.
(4) By putting all the money that can possibly be obtained into advertising as an investment in future sales. This
is a demonstration of superior faith in advertising after the principle of casting bread on the waters. Often the investment may be out of all proportion to the immediate sales or profits of the business.
(5) The budget system.
(6) By finding out how much advertising it takes to get a new user or a new dealer for a given product and then appropriating enough money to get as many as are wanted that year.
(7) By investing in advertising to buy inquiries or direct sales. This is the usual mail-order method.
(8) By ascertaining the minimum jol, to be accomplished by the campaign, and then deciding on the mediums and the size space necessary to put over the task.
(9) By appropriating a rertain percentage of the previous year's profits.
(10) According to this plan, it all depends on what competitors are doing. Watch their activities and then set aside enough advertising funds to go them one better.
(11) A plan that rombines the percentage of sales and the budget system. A definite percentage of sales is unfailingly appropriated each year, say $3 \%$. This is placed in an advertising fund. Then an advertising budget is decided on, which is taken from the fund. The budget varies according to the exigencies of the business. It may be more than the amount derived from the pereentage of sales, but more often it is less. Where it is less, the difference piles up in the fund for use in those years where more advertising is needed than is provided by the current assessment on sales.

## Questions

What method would be suitable for
(a) A large lumber manufacturer:
(b) Manufacturer of perfume and toilet preparations:
(c) Manufacturer of industrial trucks and equipment;
(d) Cooperative association of prune growers;
(e) Mail-order house;
(f) Manufacturer of valves, pipes, and fittings;
(g) Manufacturer of trade-marked clothing;
(h) Manufacturer of mechanical toys?

## Probi, 2 189 <br> Pobs'y of Delavery Dates to 'Two Datinet 'Types of Compomers Involving Cirevlation

The IVibhard and White Namufacturing Company, engaged in the mamufacture of textile machinery, has located its main sales offiee at the factory. This company, which has 10 branch sales offices in the eastern and southern textile centers, has gamed a reputation throughout the country of always delivering on the dates promised and alio of producing finished machines in a far shorter tine than its competitors. The executives are particularly proud of this record, especially as $\overline{5} 0^{\circ}$, of each machine that is ordered by their customers is built in accordance with special specifications laid down by their customers. This reputation has been gained throngh the coordination of their production and sales departments, through systematically developing the execution of work in the factory in such a way that the production department sends to the selling organization definite schedules showing delivery dates on different types of machines.

In 1912 the executives of the Hibbard and White Manufacturing Company decided to make their own castings and control this part of the raw material. Aecordingly, a foundry was built. Because of the general slump in the industry in 1914 their sales of machines declined, and the production in the factory was curtailed 25 per cent. It this time the superintendent of the foundry, since he did not have sufficient orders to run full time, requested the executives to grant him permission to make contracts with outside firms for castings. This request was granted and the superintendent made several long-time contracts.

During the early part of 1915 the sales of machines came back to normal and the selling organization was convinced, as a result of the increase of orders which they had received from many manufacturers, that in a short period they would be able to secure all the business that they could handle. When the production in the factory returued to a normal basis, the
foundry superintendent notified the production department that it would be impossible for him to fill their orders for castings because of the contracts that he had with outside firms. He suggested that the time for manufacturing the various lots and sizes of castings, which had previously been determined, be doubled. This meant that whereas prior to 1915 the company could promise delivery of a machine type 20, for example, in three to four weeks from the time an order was taken, under the conditions then existing the promised delivery date would have to be extended to eight weeks.

The sales manager believed it essential that the company continue to produce machines on the old schedule and avoid being placed in a position similar to that of their competitors, who did not make shipment on a machine for eight or ten weeks after the order was received.

## Question

Should this company cancel the foundry contracts with outside firms for castings or increase the time allowed for delivery dates?'

Probleni 183
Cancelations
A certain large sugar-refining company sold to wholesalers during the early part of 1920 a large amount of sugar at prices which were apparently justified by market conditions at the time the contracts were signed. Subsequently, but before deliveries were completed, the market price fell to less than onehalf its former level. Many buyers under contract
made requests for cancelation; invariably the refining compamy refised to aceept cancelation, although it made some concestion in allowing settlement of balanese due to be paid on the instalment plan over a period of ! (0) days.

## (Iusstion

Do you consider that the refusal to areept cancelations was the proper poliey under the existing conditions".

## Problem 184 <br> Poli'y as to Cancelation Clage and Requiring Signed Orders

The credit methods committee of the National Association of (redit Men has made a report recommenting that salesmen should he given the following instructions before being sent out to solicit orders.
(1) (iet the order signed he the buyer or an authorized agent.
(2) Order forms should eontan a cancelation chause.
(3) If the terms of the contract are set forth on the back of order hank the following statement should appear above the sighature of the hayer: "Please ship, the above goods suljeet to the termese forth on the reverse side of this order Mank."

The repert urge that the following stogam be adopted in an effert toprevent cancolations: " Youn order is your word of hemor. Protect it."

Steps will be taken to give the alogen widespread publicity among the retailers.

## Questions

1. Should the salesmen of the American Tobacco Company be given such instructions if they were sent out to introduce a new brand of smoking tobacco?
2. Is enforcement practical for the stamford Grocery Company, local wholesale grocers"
3. Should a Maine canner issue such instructions in connection with his sales to wholesalers for future delivery?

## Problem 185

Policy as to Claims and Adjustments
The Whitcomb Tire Company offers a guarantee that its fabric tires will render 6.000 miles of service and its cord tires 8,000 miles. The salesmen are instructed neither to make nor suggest adjustments of this guarantee. When the question is brought up to them, satesmen are instructed to refer adjustments to the adjusting department.

The adjusting department has made the following rules:
(1) Tires for adjustment must be shipped, transportation prepaid, to factory or nearest branch.
(2) Adjustment will he made on basis of mileage unobtained under the guarantee.
(3) No adjustments will be made on cases which have been misused, overloaded, injured by accident, or exposed to injurious substances.
As compensation for handling adjustments, wholesalers are allowed a merchandise credit equal to $10 \%$ of the amount of the adjustment.

## Question

Is this adjustment policy conducive to development of business?

## 

Probblem 186
Retcheman (boobs Polacy
The lowell (irocery ('omptay', operating at wholesale grocery condern in southern Indiant, has experienced considerable loss through returns for which no satisfactory (allew wat asigned. The manage finds upon examination of the question that policies regarding returned goods sary among groerer concerns. One latge wholesale groery eompany eoneming which int formation has come to him informed its salesmen about two years ago that they would not permit any merchandise to be returned without first giving the kind of merchandise. the date of purchase, and the reason for wishing to return. Lpon investigation of complaint, the retailer is informed that he is authorized to return the goods, if the opinion of the officers of the company is that he is entitled to an adjustment. In the city, drisers have positive instructions to bring nothing back without authorized return sheet from the office. White some exceptions are made, enforcement of the rule has reduced unwarranted returns to a minimum.

Another makes a deluction of $10^{\circ}$ f for handling charges, covering the cost of return of goods which have been returned without any reason for which the jobber is rexponsible. The jobber naturally expects to make good if goods have been damaged in transit, spoiled upon receipt or within the usual six months' limit. Howerer, upon goods for which there is no guarantee of sale, the goods are not accepted for return. This house proposes, further. that spoilt camed goods should not be returned, but that salesmen, when visiting customers, should lift the labels when the goods are under the guarantee period, and that these labels shall constitute proof of the spoilage, entitling the merchant to deduction. In this way, the freight charges upon spoilt goods are avoided.*

## Question

Which of the two plans should be adopted?

[^21]
## PART V

SALES METHODS

## PART V

## SALES METHODS

## OUTLINE

A. Selection and Management of Means of Selling.

1. Considerations affecting choice of selling methods.
2. Personal solicitation, advertising, correspondence as means of effecting sales.
3. Forms and amount of personal solicitation to be used.
(a) "Regular" salesmen.
(b) Special types of salesmen such is "missionary", salesmen, specialty salesmen, canvassers, service men.
4. Forms and amount of advertising to be used.
(a) Area to be covered.
(b) Media: Periorlicats, newspapers, house organs, speriat typers.
(c) Appeals.
5. ('orrelation of adrertising persomal satermanship and eorrespondence.
6. (reation of (onstame Demand).
7. Advertising as a means of creating consmmer demand.
(at) Cse of athertising by mamafacturer of articles sold to corsmmers.
(b) Use of atvertising to create consmmer demand by manufacture of semi-mambfactured article or raw material ordinarily not sold to ultimate consumers without further mamufacture.
(c) The distribution of advertising matter'.
8. Personal solicitation of retailers or consumers by manufacturers' representatives when product is sold through mitkllemen.
9. Simples as a muathe of ereating ronsmmer demand. As:madtoselling. The distribution of smoples.
10. (iood will of comsummers. Wethots of reateng and retalming good will. Rodation of good will 10 sitlas ifforts.

11. Solection of exelnsive agents, retail or wholesale.
12. Arelection of dealers who are mot given exchasive agencies.
1). Shabs ('ontracto.
13. Contracts with exclusive dealers, jobbers and retailers.
14. Contracts with wholesale consmaters.
15. Contracts involving salse of raw materials.
E. ('ooperation witil Dastrabytors.
16. Methods of rooperating with wholesalers or jobbers.
17. Methods of cooperation with retailers.
18. Creating and manufacturing dealer good will.
F. Meeting Competition.
19. Methods of mecting competition of competitors. Sales strategr.
20. Meeting competition of ratw prochucts or substitutes.
21. Wethods of meeting competition of newer types of retailers, who engage also in matmufacturing or wholestling.
G. Handling lnquiries.
22. Handling genoral inguities from main and district office.
23. Follow-1np of incuibies when sales are made direet.
24. Follow-np of inquiries when sales are made through jobbers and for retailers.
H. Handling Cancelations, Returned Goods, Claims and Complaints.

## GENERAL QUESTIONS*

## A. Selection and Management of Means of Selling.

In introdncing anew produrt or developing the sales of a prodnct already on the maket, shall advertising or personal solicitation he used or a combination of the two? What forms of personal solicitation should be used? Should regular salesmen be employed to solicit orders from prospects? Should non-selling or missionary salesmen be employed in conjunction with regular sales or as a means of cooperation with distributors?
What forms of adrertising should be used? Should the advertising be local, territorial, or national? What media should be used?
Should a house organ be used as a meams of advertising?
Should a catalog he used? If so, what should be its form and how should it be prepared?

How can personal solicitation and advertising be rombined to procluce greatest selling efficiency?
B. Creation of Consumer Demand.
should advertising be used as a means of ereating consumer demand? If so, how should selling points be presented?
Is it advisable for a manufacturer whose produets are sold to be incorporated in other manufactures to attempt to ereate consimmer demand by atvertining or otherwise?
When selling through jobhers, is personal solicitation of retailers through manufacturers' salesmen profitable?
When should samples be used as a means of creating demand". How should samples be distributed?
('an the value of consumer good will be measured?

## C. Selection of Distributors to Handle the Product.

How shall distributors be selected by concems which have adopted the exclusive agency plan?
Does the manufacturer derive advantage from advertising his product as "sold only by the best dealers"?

## D. Sales Contracts.

Under what comditions is it advisable to nse sales contracts? What should be the terms of an exelnsive eontract between a manufacturer and his retail distributors?
What should be the terms of a contract between a mannfacturer whose goods are sold primarily through fleaters with a large consumer to whom the compaty sedls direct?
What should be amboried in the contract between the producer of at raw material for manufactures and wholesale consmumes".

## E. ('ooperation with Distributors.

How an the mamufacturer coperate with the wholesalers through whom he sells to secoure their interest in pushing his product?
What methork may be used to inform jobbers' satesmen of the talking points of the manufacturer's product?
Under what conditions is it necessary and advisable for the manufarture to cooperate with dealers in selling the product? What form should this cooperation assume?
What arangements should be marle to induce retailers to advertise a product locally? When is it advisable to undertake educational work among dealers? How can educational work be carriod on without losing dealer good will?

## F. Meeting Competition.

What plans may be used to meet the competition of other manufactures in the same line.
What methods may he used to meet the competition of substitutes?
What methods may he ued hy wholesalere to meet the competition of the newer trpes of retailers?

## G. Handling Inquiries.

How should general inquiries from man and district offices be handled?
How should inquiries resulting from advertising, when sales are made dieset, be followed up?
How should inguiries resulting from advertising, when sales are made through jobbers and retalers, be hamdled?

## H. Handling Cancelations, Returned Goods, Claims and Complaints

Under what condlitions should exceptions be made to the general policy in regard to handling cancelations?
How should returned goods be handled?
Who should be responsible for the handling of claims and complaints? What procedure should be adopted?

## Problem 187 Introducing a New Branded Shoe

The Brayton, Burleigh, and Stanwood Corporation has manufactured shoes in Brockton for a period of 22 years. The plant has a daily production capacity of 2,400 pairs; the total production in 1920, of which $35 \%$ were women's shoes, amounted to 540,000 pairs. These are divided up among the two principal brands marketed by the company, called the Brayton and Stanwood brands, and the private and unbranded as follows:

| Brayton Brand | $40 \%$ | 232,000 pairs |  |
| :--- | :--- | :--- | :--- |
| Stanwood Brand | 40 | 232,000 | $"$ |
| Private Brands | 15 | 87,000 | $"$ |
| Cnbranded | $5 \%$ | 29,000 | $"$ |

The total sales for 1920 amounted to $\$ 4,435,600$. The Brayton brand of shoes is the same as the Stanwood brand in quality and style, the brand name having been purchased from the original owners a few years ago. Prior to that time, it had been on the market over 40 years. The women's shoes are of standard, medium grade, little attention being paid to any except major style changes. The company sells shoes to

[^22]retailers, giving exclusive agencies for its own brands and being in a position thereby to supply two retailers in the same town. Ithbamded shoes and shoes under private brands are likewise sold direet to retailers. The advertising of the company is limited to the shoe trade papers, and some of the conventional dealer helps, such as window and counter cards, brand tags and botters which have been distributed to retailers. The company employs 2 es salesmen, who are paid a flat rate of $6^{\circ}$; on sales. (inarantees, however, at times have been given to tide saldemen over dull periods. It is the policy of the company to hire only experienced shoe salesmen and to allow these to operate on their own initiative, handling the trade as they see fit. No distinct sales districts have been organized and as a consequenee there is considerable overlapping of salesmen's territories. Distribution figures by sales districts cannot be secured, hut the following list gives the number of active accounts in each state:

| Albama | 54 | N(f)ramal | 16 |
| :---: | :---: | :---: | :---: |
| Arizona | 16 | Nevada |  |
| Arkamsas | ${ }^{60}$ | New Hampshire | 12 |
| C alifornia | 90 | New Jersey | 38 |
| Colorade. | 8 | New Mexico. | 10 |
| Commerticut | 22 | Now York | 42\% |
| Delaware |  | North Carolinal | 84 |
| Dist. of Columbia |  | North Dakota | 8 |
| Florida. . | 30 | Ohio. | 32 |
| Georgia | 88 | ()klahoma | 106 |
| Idaho. | 8 | Orequm | 10 |
| Illinois | 220 | Pembeylamia | 54 |
| Indiana | 14 | Rhade lsime | 4 |
| Iowa. | 4 | So. Carolina | 74 |
| Kammas. | ${ }_{6}$ | So. Dakola | 12 |
| Kentucky | 24 | Temmener | 66 |
| Louisima | 70 | Texas | 300 |
| Maine | 11 | l'tah | 10 |
| Marrland. | ${ }_{6}$ | Vermont | 8 |
| Mascachusett- | 16 | Virginia | 36 |
| Michig:m | :2 | Wanhingtom | 48 |
| Minnesota | 30 | Ifer Virginial | 16 |
| Missisippi | 68 | Wixcones | 40 |
| Mis\%omi | 12 | Hemming. |  |

The president of the Brayton, Burleigh and Stanwood Corporation contemplates introducing a new line of men's high-grade shoes under a new brand name. This is to be added to the medium-grade lines. A number of questions arise.

## Questions

1. Is the time opportune for introducing a new line of men's shoes?
2. What difficulties will be encountered in establishing a new branded shoe?
3. Assuming that it is decided to undertake the introduction of the line, how should the sales manager go about preparing the campaign?
4. Should the regular salesmen be used to introduce the line?

5 . Since not more than $\$ 20,000$ is available for advertising, what media should be used and to whom should the appeal be made?
6. Since neither the capacity of the factory nor the resources of the concern permit of intensive effort over the entire United States, should efforts be concentrated on any particular territory?
(a) If so, where?

## Probleal 188

## Corrblating Abtertising: Campalgin with Personal GAldsmanshll

The Walden Company manufactures a line of highquality work garments in its plants located in central New York. In 1920 the company began advertising on an extensive scale, using the bulk of its appropriation of $\$ 100,000$ in The Salurday Eiening Post to introduce a one-piece garment, aiming to create consumer demand as a means of influencing retailers to provide proper distribution.

For the year 192l the advertising campaign plans were as follows:
(1) Extensive newspaper advertising, 17 full-page insertions in the New York Jomrnal, Philatelphia Ledger, Boston Cilobe, Baltimore Sun, St. Louis Post Dispatch, St. Paul Dispatch, Pioneer Piess, Chicago Acus, Portland Journal, Seattle Times, Detroit Neus, C'lereland Plain Dealer, Buffalo News, and Pittsourgh Press; 13 full-page insertions during the year in the San Franciseo Examiner, San Francisco Bulletin. Mimneapolis Tribune, and Mimneapolis Journal.
(2) Extensive advertising in farm papers; 61/2-page insertions in the Country (ientleman: six 3 -column insertions in 28 of the leading farm papers.
(3) Adsertisements of children's garment: in the May and June II'oman's Home Companion, Ladies' Iome Journal, Delincutor, (iood Honseliceping.
(4) Advertisement: in general and trade publications; small sace monthly in Popular Mechanics; six full-page insertions in Accessary ond fiarage in the spring and fall; six insertions in Autamobile Denler and Repairer; four insertions (April, May september, and octoher) in Motor.

The advertising plan includes also the following material for direct advertising to dealers: envelopstuffers. 5x10-inch display signs for dealers' stores, posters for tacking and counter signs (two grades), window cards in four designs, reproductions of oil paintings, small cutouts of trade-mark. Outdoor advertising is provided by billboards in larger cities. The farm paper advertising is generally concentrated in March. Ipril, May, August. September, and October.

## Questions

1. What plans should the sales manager make to be sure that the house gets the full benefit of the advertising campaign?
2. What methods may be adopted for developing cooperation of salesmen in distribution of advertising and dealers' helps'?

## Problea 189

Missiontry Salesmen
The Randolph saw and Tool Company, of Baltimore, Maryland, is a large producer of saws and builders' tools. The company is an old, established one, and its products are widely distributed. A campaign of national advertising has been carried on for a number of years, both in general periodicals to reach consumers and in trade periodicals to influence dealers. Most of its product is sold to hardware jobbers by five salesmen who cover the entire country.

In addition to the salesmen calling upon the wholesale trade, the company maintains a force of twelve demonstrators who go direct to the retail hardware stores. These men take orders to be filled by the wholesaler with whom the retailer wishes to do business. The order is made out in three copies, one copy going to the retailer, one to the Baltimore office, and the third to the wholesaler. These missionary salesmen give especial attention to the new lines of the company and to those which the jobbers neglect.

The Bross Hammer and Tool Company, located in the same city, manufactures and sells lines, with the exception of a few items, which are non-competing,
specializing on hammers, which the Randolph Company does not manufacture at all. The Bross Company, like the Randolph (ompany, has conducted a national ('ampaign of advertising in general periodicals and trade journals, while the same chamels of distribution are used in marketing its products. Similar to Randolph, the Bross Company mamtains a force of missionary salesmen, but their method of working is somewhat different. Instead of going direct to the retailer on their own initiative, the fore of from seven to ten men work with the jobbers' salesmen in calling upon the retail trade, thus striving to aid them and arouse in them an enthusiasm for Bross products, as well as to stimulate the retailer.

The sales managers of the two companies are close friends and at frequent intervals have conferred with the thought of determining which practice would give the best results.

## Question

What are the arguments for each method?

## Problem 190

Pooling Fobce of "Minsionart" Salesmen
Although many manufacturers of identified goods sell through jobbers or other chamels, so that in the ordinary course of business they do not come in direct contact with the retailer who reaches the consumer, yet many concerns have found it advisable to establish connections with the retailer in various ways. Advertising is commonly used, but certain concerns make it a practice to have salesmen, often called "missionary" salesmen, call upon retailers at intervals in order to
push the goods of the manufacturer, which will ordinarily receive only a small share of the attention of the jobber or wholesaler. Usually orders are taken and turned over to the jobber, who receives his margin upon such orders. At other times, the representatives of the manufacturer do not take orders, their purpose being solely to build up good will and help the retailer move the goods which are delivered through the jobber.

A prominent talking-machine company has a complete staff of representatives, whose work is of good service to retail agents. These phonographs are sold through distributors in various parts of the country, who maintain traveling salesmen to sell to the retail dealers. These jobbers' salesmen call upon the trade every month. The manufacturer's salesmen call upon the trade at irregular intervals. Well-known soap companies, handling advertised brands, have made it a practice to sell direct to the retailer, turning the orders over to jobbers as directed by the retailer. The same plan is followed by tobacco companies.

It is claimed that the use of salesmen for specialties is wasteful, and a plan has been put into operation in one eastern city whereby 23 firms cooperate in maintaining a selling force to cover the particular territory. The company, which is called the Co-operative sales Company, is initiated by the wholesale interests for the purpose of pushing advertised grocery products of particular companies. The objects of the Sales Company have been stated as follows:
(1) To be in a position to offer manufacturers a large and closely controlled selling force calling on the retail trade at least once in two weeks, and more often once a week, knowing their trade better than any other salesman can know.
(2) To do business only with loyal manufacturers, who are ready to cooperate to an extent at least where the individual retail grocer can compete on an equal basis with the chain stores, always considering whether his business is done for cash or with service. To support wholeheartedly such manufacturers.
(3) To obtain the cooperation of wholesale grocery salesmen by showing them a line of different kinds of merchandise

Which carry a reamomahle protit and on whinh the retail "1stomm may ako maky a satisfactory matuin.
(1) Ton whtain through the wholesale grorery satesmen the interes and support of the reval growers in sales company prolucts.
(a) 'Todisemmag missionary work on meratholise which hate 100', distribution.

Briefly the method of operation of the (ooperative sales (ompatmy is an follows:

Any wholesaler in the territorymay berome a member of the comp)atyy, which is simply a purchasing organiization working moder a broker"s license. It makes arrangenents on the best terms it can with one mamufatcturer of cach type of erocory product. Since nearly hatf of the wholesalere in the eommmonty are buying through the company, large quantities can be purchaced at any one time. Asarembt, quantity discounts (an be obtamed and likewise, such a brokerage fee as a mandfacturer is willing to give, which varies from $1^{\prime} ;$ to $10^{\prime} ;$. Nal discomats retamed by the sales ('ompany are paseod on to the busing mombers, the only charge being $1^{\prime}$, fommiseion to defray expenses of ordering and billing. Members must pay for merehandize within seren days so that the sates Company ean take advantage of cash discomnts.

The members are supposed to give the products of those mambacturers who sell to the sates ('ompany proferenoer, and it is only to their interest to do so since they receive such favorable terms. Each wholesaler mast of necessity carry the brands of competing manufacturers, but where a retailer hats no preference for brands the goods of the manmfacturer dealing with the sales ('mpuray are shipped. Moreover, the wholesalores eales foress are instructed to recommend the prefermed products.
( (1) In $1!20$, the Rogers Soap) ('ompany, of Boston, which mammactures lamudry and toilet soaps with a natiomal distribution, was insited by the cooperative sales ('ompany to give up missionary sales work in the teritory corered by the sales Company and obtain the
special representation offered by that company's members. A brokerage fee of $20^{\circ}$, was asked on all purchases made by the sales C'ompany in addition to the usual quantity discounts. It was explained at the time that the Cooperative sales Company represented in its membership approximately 50 of the wholesalers in that territory. The methods and purposes were outlined as above.

## (Uuestion

What should have been the action of the management on this invitation?
(b) In July, 1920, the president of the Cooperative Sales Company approached the manager of the Atwood Wholesale Crocery Company, one of the large wholesalers of the district who had not entered the organization. He was asked to recommend to the board of directors of the Atwood Company that it join the Cooperative Sales Company. Only a nominal outlay of capital was required.

## Question

What should have been the action of the Atwood management upon this invitation to join the organization.

## Problem 191

Pooling of Sales Forces
Georgia jobbers, like those of several other states, are experiencing much annoyance because of the rapid development of chain stores. On the basis of experience in Baltimore, Philadelphia, Boston and other places in cooperation among grocery houses in buying, warehousing, and sales promotion, they have expressed
their opinion that the only answer is an increase in jobbing efliciencer and the most direct way to produce this is through the pooling of purchasing and sales activitios.
lu Macom, for instance, are ninc jobbers, each buying in lots calculated to meet his own limited output and each traveling salesmen throughout the same retail field. The result is that there are nine warehouses and nine sets of salesmen, whereas in a territory of that size one common stock in a rooperative warehouse would be sufficient and one set of salesmen adequate to make all the necessary calls for the retail trade; the net result being a reduction of owerhead that would permit lower prices.

Macon wholesalers think that this is not only true of Macon, but also of broader territory throughout the state. According to their plan, they would not only have the nine houses cooperate, but actually merge, so that there would be one jobbing house functioning with its overhead at the minimum.

## Questions

1. As the manager of a wholesale grocery, would you favor pooling sales forces?
2. If so, on what conditions?'
3. What workable arrangement might be suggested?

## Problem 192

## Distributing Flour

The Bingham and Wright Company, of Dayton, Ohio, operates a small flour mill with a daily capacity of 500 barrels. Freight rates shut off the markets to the West; but, because of the milling-in-transit privilege, profitable markets to the east of Troy extending to the coast are available and on an even basis with Kansas City and Minneapolis mills.

Both branded and umbranded flour is sold by the company. At the present time there seems to be no definite policy as to chamels of distribution or advertising. Flour is sold direct to large consumers, to retailers, to jobbers, and through brokers, as orders fall.

## Questions

1. Should the policy of selling to all classes of buyers be continued indefinitely?
(a) If so, under what conditions?
2. What would be the best way to introduce branded flour in New England territory?

Problem 193
Demand Creation
The National Canners' Association, consisting of the majority of the leading camers of America, has adopted a plan to inspect and certify as to quality all canned goods produced by manufacturers who are willing to pay a small sum per case for such service. At the same time, by a concerted drive on the billboards, through the newspapers and magazines, together with special window displays, the canners intend to drive home the various selling points of goods produced by their members.

## Question

How should a member of the association, a canner of vegetables located in Maine, tie up with this campaign?

## Problem 19t

Mabling-Lists
Experience shows that generally the salesman who is directed to teads and prospects is able to cut down the cost of selling materially as compared to the salesman who makes a cold canvas: without any particular leads.

The methods of secming lists of prospective pur(hasers vary widely from chterprise to enterprise; in fact, getting a prospect develops, particularly in times of depression, into a very serious problem for any concern with a sales problem that is at all difficult. Press-clipping bureaus giving news of fires, promotions, births, deaths, business expansion, records of new incorporation, business changes, sifting of new orders and inguiries, cooperation with salesmen in related lines, cultivation of all customers to secure their recommendation for new customers, postal inquiries and questionnaires, coupon schemes and advertising, trade and general directories, building reports and services are among the many sources of prospects.

## Questions

1. Suggest methods by which the manufacturers of the following may secure lists of prospective purchasers to whom salesmen might be sent:
(a) Breakfast food.
(b) High-grade perfume.
(c) Addressing machines.
(d) Thtomatic stokers.
(e) (iraphite electrodes for electric furnaces.
(f) Business filing equipment.
(g) Rolls-Royce atutomobiles.
2. What combination of advertising and personal salesmanship would be most effective in each case for developing leads"?

## Problem 195

## Distributing Manufacturers' Samples

The Burns Company formerly made it a point to insert an offer of samples in all its advertising. This was discontinued at the opening of the war. It that time, they sold a small size to the Five and Ten Cent Stores. The success of this venture gave them the idea that the five and ten cent stores should be considered by manufacturers as a means through which samples might be sold and distributed.

## Question

Do you think that the manufacturers of Polarine Automobile Cup Crease, Burnett's Vanilla, or Crane's or Whiting's Correspondence Paper should adopt this plan of reaching the public with samples?

## Problem 196

## Advertising to Remove Price Competition

The Dole Company, manufacturing and selling art novelties, chiefly tinsel merchandise such as tinsel ribbon, rope, and string, and Christmas-tree decorations, as a rule sets the price upon its products at the beginning of the year for the whole year. In the recent period of fluctuating prices, the wide variations in prices of materials and labor raised the problem of a guarantee of price to customers. 'The company has guaranteed to the dealer the current price at date of shipment and has even gone so far as to agree to meet the prices of competitors. As orders come in at the early part of the year, the company manufactures against these and ships to the customers with invoices post-dated. No uniform post-date custom is followed. Each customer is treated separately and the company secures the earliest post-date payment possible from
rach. 'The terms are ét' 10 day's from date of invoice, while an anticipatory diseount at the rate of $8 \%$ per year before the date of intoice is allowed. The compamy maintains a regular price list, from which discount is allowed to jobbers. 'This diseount will also be allowed to retailers if the guantity of business they have semms to justify it. The granting of such discount is left largely to the diseretion of the salesman, although the company reserves the right to disarow any diseome that he may make.

## ()ucstioms

1. Although the Dole Company has an established, trade-marked line and $70 \%$ of its product bears the brand, it has not been able to take its product off the price basis.
2. Is it possible for the company to become independent of price competition by means of consumer advertising?

## Probleat 197

## Aelling a High-Priced Houskiomd Appliance

The Hamilton Beach Carpet Washer Company manufactures a carpet-washing machine, the purchase price of which is s285. The company realizes that this is more than the average householder can afford to pay for it.

An analysis of the sales field showed two prospective buyers-the home and the institution. The home presented a discouraging prospect; first, because it was a ficld of such tremendous extent; and, secondly, because so few homes could afford to purchase it. An investment of $\$ 285$ in an article, which would not be
used more than once a month, is not sound economically for homes of average, or even better than average, incomes. On the other hand, the institution presented a splendid field, but a limited one.

## Question

What should the company do in order to place its product upon the market?

Problem 198

## Increase of Sales Force

The Eldred Food Company, manufacturing a line of baked goods, biscuits and crackers, has recently enlarged its production facilities. The sales manager says that when the new factory was built no immediate outlet for increased production was allowed for, but that present demand seems to justify such expansion. The company's market during 1920 was national in scope, the bulk of sales, howerer, being made east of the Mississippi. The problem now confronting the sales manager is whether to increase his sales efforts in all territories through the addition of salesmen or to concentrate in New England, adding to the New England sales force while leaving the sales forces in the other territories as they have been. It is proposed that newspaper advertising be used in large cities of New England to supplement the efforts of salesmen, provided decision is made to concentrate.

## Question

Which plan is to be preferred?

## Probleal 199!

Aecuriñ: Distrabuthon 'Througif Whfobesalers in Comperition with Private Brands
A small concern engaged in roasting coffee secured fair distribution in limited territory for its brand through its own salesmen. . ff er a time, examination of his accounts forced the head of the firm to the conclusion that his line was not heary enough to justify maintaining his own sales force to approach retailers direct.

He then began distributing through wholesale houses. Each jobber pushes a private brand of coffee, apparently to the detriment of this roaster's sales. As a matter of fact, this coffee roaster has been steadily losing in percentage of distribution in spite of consumer advertising. His conclusion that be cannot maintain a sales force of his own seems to be sound. Every available wholesale outlet chamel is clogged by private brands.

## Questions

1. How can he economically get and hold distribution?
2. Would a modest advertising campaign help? (a) If so, what media should be used?

Problea 200
Selecting Dealers
In the distribution of many lines of goods, sales managers feel that through greater efficiency, greater volume of sales and increased good will can be secured, by careful selection of dealers rather than by indiscriminate sales to dealers, so long as they comply with the elementary conditions regarding credit risk and pushing of product. While some houses sell to all retailers who choose to buy, they may give their best
cooperation, in other words work hardest to secure the continued patronage, of one or two.

For instance, a very large jobbing house which sells by catalog will sell to any type of dealer of sufficiently high credit standing. At the same time, a special retail sales service is offered to a selected list of customers, based upon the reports of visitors sent out by the firm. The selected dealer in each town may not be the best, but he is always one with whom cooperation will be welcome and have a fair chance of bringing results. It is acknowledged that in this case there is no particular prestige attached to the "best stores" idea. The house handles and sells some 40.000 items of merchandise.

On the other hand, such a concern as Hart Schaffner \& Marx, with its advertised line of men's clothing, or the H. Black Company, with its advertised line of women's suits and cloaks, must adopt somewhat different bases for the selection of representatives, particularly since they have chosen the policy of exclusive representation.

It is obvious that at any one time it would be impossible for any manufacturer to get the biggest and best retail men's clothing or retail dry-goods store in every town; and very frequently this would not be desirable, even if possible, for the reason that the leading dealer in each town, may not be receptive to new ideas. Consequently, the policy has been adopted with the stores to which they have given representation of endeavoring to build them into high-cłass stores, so that both dealer and company benefit by the class of the store in the community.

## Questions

1. What plans should be adopted for the selection of dealers for a concern manufacturing a widely advertised kitchen cabinet"
2. Prepare an instruction sheet for the salesmen of a Troy collar manufacturer, which can be used as the basis for the selection of dealer representatives.

Problem gol

## Buhding Dealer Organization

The P＇eerless＇Truck Corporation started business seven years ago．The corporation tried for a while to sell its trucks through the regular chamols，as they then existed，but found that these methods were not success－ ful．Dealers would contract for，say， 300 trucks to be delivered during the year；they would sell，perhaps， 10. When the company approached then in regard to ful－ filling their contracts，they refused to live up to them．

The new sales manager declares that the truck corporation should build up its own dealer organization． The problem before the company is to build an organi－ zation，but there is a question as to whether mechanical ability and knowledge of trucks or general business and selling ability shall be made the paramount require－ ment．It is proposed to select the branch managers and to make them responsible for the building of the sales and dealer organizations．in their districts．

## Question

Is this proposal a practical one＂．

Problem 20き
Developing Good Wild．
A wholesale grocer located in st．Louis is at the present time engaged in a large advertising campaign by which he is doing his utmost to influence the con－ sumer to trade with his neighborhood grocer，pointing out to the consumer in the best way he can the impor－ tance of patronizing the local grocer．The object of the wholesaler is to do all that is possible to help the retail grocer not only to increase his sales，but atso to protect
himself against the inroads of chain stores. The wholesaler admits he finds it difficult to get strong, impressive arguments to use in his campaign.

## Question

Is the wholesaler justified in carrying on such an advertising campaign as a means of increasing his own sales immediately or ultimately?

Problem 203
Developing Good Whll of Distributors. House Organs
The Hoyt Phonograph Company at the opening of the war took stock of its distributing organization and found that its product was sold by various types of stores, ranging from recognized, well-established dealers to barber shops and irresponsible dealers. In fact, it seemed that any dealer or anyone who had the \$200 or $\$ 300$ necessary for investment in a machine or two could secure agency and carry on business in this particular product. The contracts with the dealers have been engineered mainly from the central office in New York; district offices have had little to do with the actual making of contracts with dealers.

It was felt by the sales manager, when this was brought to his attention, that the prestige of the Hoyt phonographs was being injured by such indiscriminate representation, and it was resolved to begin a process of selection which would bring it about that the type of dealer would add rather than detract from the prestige of the product. Fortunately, war conditions and war prosperity brought about a very great increase in the demand for phonographs, and it was possible, without immediate loss of sales, to carry out this process of selection by the simple means of filling orders only for those dealers whose patronage was considered desirable. While this was being done, a constant campaign of education of the dealer in methods of selling, in window
displays and methods of finding prospects was carried on. In fact, the dealer who wanted to handle these phonographe was compelled to be "educated" by the companys.
(a) Things seemed to go along well enough until the sudden 'hange from sellers' to buyers' market. Sales resistance begen to develop rapidly, and it was finally discovered that the educational program had not been tactfully handled, that the dealer was willing to accept some of this "eclucation" when he needed the goods badly, but resented the attitude which seemed to be implied that outsider: knew his business better than he himself did.

The development of the Hoyt business depends in large measure upon building up good will among dealers.

## Question

What should the sales manager do in order to accomplish this purpose, while still retaining the essential features of the educational campaign?
(b) Up to this time the Hoyt Company had issued two types of house organs: one, which went to salesmen; the other, an internal or employee paper.

## Question

Could either of these, or an adaptation of them, have been used to advantage in the plan of dealer education?
(c) From the standpoint of physical make-up, house organs may be classified thus: blotters, newspapers, magazines, booklets, envelop inclosures, novelties.

## Question

Provided that a house organ was to be sent to dealers, which type would seem under the cireumstances to have been best suited to the purposes of the Hoyt Company? What, in a general way, should have been included in the house organ?

## Problem 904

## Retainivg Good Will of Distributors During Changes in Policy

The Hawkins Company, of Milwaukee, manufactures a widely advertised, branded work shoe. The company decided, late in 1920, to sell its goods direct to consumers in competition with the retailer. In accordance with this somewhat radical decision, all its road salesmen were called in at the first of the year 1921 and were informed that their services were no longer required as salesmen. Then the company sent letters to its 14,000 retail dealers, telling them it would go after the local market itself by lowering retail prices and taking orders direct by mail. If, under these eircumstances, the dealer still wished to carry the company's shoes in stock, the eompany would sell him subject to the new conditions. It developed that more than 8,000 retailers accepted the company's terms.

The decision as to distribution policy is said to have been brought about by the flood of eancelations from which the company suffered, in common with most other manufacturers, in the latter part of 1920. The company felt that the retailers had generally not been fair to the company in attempting to throw the whole burden of readjustment upon the manufacturer. Five or six monthis later, the officials of the company decided that selling by catalog involved too great cost per
inquiry and that the service rendered by retailers was worth atl the customers were asked to pay for it.

The company now plans to go back to its former plan of distrituting through retailers, although it has muder consideration a plan for forming a chain of shoe stores in towns adjacent to Milwakere.

## Question:

1. Write two letters to be sent to the retail trade amouncing the changes in policy; the first announcing

- decision to sell to consumers: the second amouncing the change to former methods.

2 . What problems are involved in the plan of establishing a chain of retail stores:"

## Problea 贝 05

Retaining Good Will of Dealers
Many manufacturers, during the latter part of 1920, found themselves overwhelmed with cancelations and returns which developed stock and inventories all out of proportion to the usual requirements of the business. Since there was no prospect of a rise in price in the immediate future, manufacturers attempted to dispose of their goods at once; frequently, they were not able to dispose of them through the ordinary channels. For some lines of goods auctions were held; for other lines, manufacturers went direct to consumers, hiring temporary space in retail districts and selling at prices lower than those maintained by the regular retailer. Disregard of the usual chamels of distribution gave rise to a good deal of friction, and one of the problems of every company, which attempted to dispose of its goods in unusual ways, was that of regaining the good will of distributors whom it expected to sell in subsequent seasons.

A large packing company, distributing its goods ordinarily through brokers and wholesalers, undertook to sell in case lots to consumers and sent out to an enormous mailing-list circulars offering the goods at prices considerably lower than those prevailing in retail markets. A large knitting company in the center of New York State took space in the newspapers, offering reduced prices to consumers of underwear. It appeared that the company had always sold through the regular channels, and considerable criticism was aimed at it because of this particular move on the ground that it would alienate the interests of retailers and wholesalers. In answer, the company published the following:

To accomplish one's object and purpose is gratifying, and white the retaiter may not view it in the same light as we do, we feel certain that the public will.

For several months past we have offered our surplus stock of men's and women's underwear to our regular jobbing trade, but without results, and were informed by them that they were unable to make further purchases because the retailers not only refused to buy, but instead were canceling orders previously placed and returning those already delivered, the retailers claming the prices were too high and must come down.

Prices did come down, but the retailer made no material reduction to the consumer. On the contrary, in one instance, the head of a large retail organization issued a statement that the public should not expect lower prices until their stocks owned at top prices had been liquidated. This action was certainly inconsistent with their attitude toward the jobbers and manufacturers, so we decided to take a step toward helping the consumer, which step we knew would make the retailer "wake up" and thus perhaps result in our accomplishing our purpose.

Inasmuch as our mill is situated in Groton, we selected that town as the best location to reach the surrounding territory. We offered only surplus stock to consumess at prices consistent with present conditions. The sale lasted five days and after having acoomplished the desired results in waking up the setailers, who dedided it timely to lower their prices to the consumer, we called the sale off. We may be criticized hy the trade and some competitors, but are willing to leave it to the pubtic whether we have made an error or not.

Wo ark one quetion. How ran we dispore of the merehamber retmonel be the retaikes to the johber, who in then dmaper them hade on the mamfacturers".

Y゙ours fraly,
The llyot Kivit (ionds (o.

## (buestions

Is this sufticient to explatin the action of the company to dealers who handled this brand of maderwear so that they will contime to stock it".
(a) If not, what shomld be dome?

## Problem 20G

## I)ealer Meljs

According to newspaper reports a congress of retail merchants was held in 1920 in Chicago under the direction of Butler Brothers, wholesalers of general merchandise. More than 300 retailers attencled the session, which lasted two days. Most of the speakers on the program were retailers. There was also a banker, who talked on the busines outlook and there was an expert alecountant, who discussed the necessity for srstem in the store. The congress was held for the double purpose of getting retalers to market so they could buy goons and atso to emable the officials of the homse to get in eloser personal touch with leading retailers. The company armanged the program and provided for cortain entertainment, hat did not assume the traveling expense of hotel expense of visiting merchants.

## (bucstions:

1. What ate the requirements for suceres of such a plan".
2. Wrould the plan be suitable for a hardware jobber or mamufacturer".
(a) A dry-goods jobber".

## Problem ${ }^{2} 07$

Dealer Melps
The H. N. Hurd Company three sears ago placed upon the market an all-steel unbreakable vacuum bottle. Two salesmen, believeing that this bottle had definite advantages over the glass-lined bottle, left the makers of a standard vacuum bottle to go to this firm. They were able men and placed orders with new customers in the space of a few weeks, but repeat orders came slowly. Dealers everywhere complained that bottles did not move from their shelves. It was known that the Hurd bottles had to sell for nearly double the price of the glass bottles, but it was felt that the unbreakable feature was worth more than the difference in price. It was found on investigation that retailers and their clerks knew vory little about the bottle.

Question
What methods might be adopted to develop a repeat business?

## Problem 208

Promotion of sales by Mefy of Tisits of Custoners to Plant
The general sales manager of a prominent wholesale dry-goods concern, which controls several cotton textile mills, suggests that as a means of increasing the good will of its retail dealers, it send the retail merchants (its customers) to the mills for a visit.

The wholesale house is located in Chicago, and the dealers are generally north or west or in the Chicago territory. The mills are located in North Carolina and Virginia.

The sales manager declares that it is very desirable that retailers be better informed as to the merchandise they sell, as well as imbued with the real appreciation
of it, and learn something of the time, labor, material and expert knowledge required to make it. If the house should take a number of them down to their mills and show them the processes of manufacture, the money so expended could be bery properly charged to sales promotion rather than to entertaimment. The company hat never made entertamment a feature of its relations with customers. It does not pay their railroad fares when they go to Chicago to buy, or give them presents or unusual discounts; it prefers to put the money which might be so expended into quality of merchandise.

## Question

Is this a profitable method of increasing the trade of the concern?

## Problea 909

## Securing Jobber Good Will for Producer's Brand

The California Associated Raisin Company, a cooperative organzation of raisin growers, prior to 1915 was accustomed to taking orders for raisins to be packed under private brands of jobbers or dealers.

In 1915 it established its own brand, called the "Sun Maid Brand," began advertising extensively, and put traveling men in the field covering the entire country: After several years, the company decided to abandon all private-brand business. It is stated that this action was due to the fact that its advertising and sales work had created such a tremendous demand for Sun Maid Raisins they could not successfully handle the volume of business, if they permitted their manufacturing department to be handicapped by orders for private brands.

Early in 1921 it seemed that the attitude of the grocery trade, particularly the wholesalers, was becom ing more openly antagonistic to its private-brand policy.

## Question

What measures should the California Associated Raisin Company take to secure and retain the good will of grocery jobbers?

Problem 210
Retaining Good Will of Dealers when Placing Improved Product Upon Market
The Gillette Safety Razor Company manufactures a widely advertised safety razor, manufactured under patents which expire the latter part of 1921 . Anticipating this expiration, the company put upon the market a new, improved safety razor having a number of special features not possessed by the old style. In advertising and in general policies, the new razor is to be treated much as the old one. Anticipating, likewise, the flood of imitations of the old style, the Gillette Company planned to put upon the market old-style sets, which will sell not at the $\$ 5$ price at which they were previously sold, but for $\$ 1, \$ 2.50$ and $\$ 3$ a set.

The problem of the Gillette Company was to place upon the market a new razor for which a $\$ 5$ price had been fixed, while retaining the good will of the many thousands of dealers who were handling the old style. The company planned to spend about $\$ 2,000,000$ in exploiting the new razor, beginning its campaign about the middle of May, 1921, over six months prior to the expiration of the old patents. The company sells more than $75 \%$ of its product through jobbers.

It has always been a part of the policy of the company to take back for exchange misalable stock from the hands of one dealer and to place it in other hands, where it ean be easily sold. It seemed impracticable for the company to take back all the discontinued styles of Gillette razors found on the shelves of 250,000 dealers in the United states. (On the other hand, much good will of the dealers was likely to be lost unless some interest was taken in the disposition of the styles which became out of date as soon as the new sets were placed on the market.

## Questions

1. Should the company attempt to make allowances upon stocks of old razors?
(a) If so, on what basis should it be determined?
2. How should the matter be handled when the allowance is to be made through jobbers:

## Problem 911

## Cooperation with Dealer in Local Adpertising

The advertising manager of the Rockwell car is confronted with the problem of organizing his plans for dealer help, particularly with a problem of the attitude of the company toward local advertising. In order to secure a broader basis for decision, he made a trip and called upon manufacturers of well-known passenger cars, with the result that he found that a cooperative arrangement of distributors was made by only five companies, and cooperative arrangement with dealers as well as distributors was made by only six companies (two of these offered the plan only to larger dealers). One company did not share local advertising with either distributors or dealers. It was
found that dealers' advertising allowance was based as follows:*
A. Company-According to territory covered, number of cars allotted, and newspaper rates. The figure thus arrived at is inserted in the sales agreement.
B. Company--No stated amount is set, but miform schedule is used in all cities and towns where the eompany has good representation.
C. Company-Factory allowance is based upon a certain amount per car.
D. Company-Straight fifty-fifty allowance to distributors, but allowance to dealers is based upon so much per car.
E. Company-Definite campaign is decided upon by the factory and uniform copy used, the dealers agreeing to pay one-half the cost.
F. Company-No stated allowance. Factory determines amount of advertising to be used in each individual case.
G. Company-There is no written agreement, but a verbal understanding with di-tributors and large dealers that they will go fifty-fifty on local advertising placed by the factory. The factory is guided kargely by the dealers' wishes in regarl to the amomit of advertising to be used.
H. Company-This is a now company and the advertising policy has not been definitely settled. However, they propose to operate on a fifty-fifty basis.

1. Company-A umiform schedule is decided upon by the factory for 6 -month periods, and the distributors are billed each month for one-half the cost.
J. Company-Straight fifty-fifty basis, with practically no limit as to the amome of advertising that may be used by the dealer.

A rigid rule that only factory copy be used for local advertising has been established by eight companies.

Will allow eredit on copy furnished or approved by the factory, one company.

Permit dealers to write their own copy, three companies.

Advertising agency places all dealer advertising for six companies.

All local advertising is placed by dealer or distributor, three companies.

[^23]Factory specifies media to be used for local advertising, eight companies.

Publishers bill half the rost of advertising to dealer and half to advertising agency, four companies.

Factory hills hatf the cost to dealers, three companies.
Dealers place the advertising and bill half the cost to the factory, three companies.

## Questions

1. Which plan should be adopted by the Rockwell Company?
2. What points would you include in your contract with the company in which you agree to pay for part of the advertising?

## Problem 212

Local Advertising for Manufacturer’s Brand
A manufacturing concern, which is selling direct to retailers, required that its dealers pay out in advertising an amount equal to $10 \%$ of the stock on hand when his agency begins. The company further recommends strongly that the local advertising be continued each month on the basis of $5 \%$ of the previous month's gross sales of the product.

## Questions

1. Can this plan be used by the manufacturer of a nationally advertised shoe?
2. Could it be applied by a manufacturer of toilet preparations?

Problem 213
Distributing: Dealeir Helps
Manufacturers who get out dealer helps are usually confronted with the problem of avoiding waste in their use. Many are sent to dealers who do not use them, and dealers frequently write for material which they do not subsequently use. It is suggested that the most obvious solution is to make a nominal charge for such material. This is open, however, to the objection that only really progressive retailers can be sold on the idea of paying for helps that the majority of manufacturers are only too anxious to give away. Where a retailer has an agency for a long line and runs into large sales or big profits, he can often be convinced that it is best for him to pay for the advertising accessories and selling helps.

## Question

Should Armour \& Company, or the Victor Talking Machine Company charge for dealer helps?

Problem 214
Securing Utilization of Dealer Helps
Several manufacturers of automobile accessories have received requests from the Gibson Company, large jobbers of accessories located in Indianapolis, to participate in a plan for tying up advertising and dealer helps. The details of the plan worked out by the Gibson Company are briefly as follows:

At first, only one dealer in each town is to be selected to receive this merchandising service. This dealer must have a good retail location, effective display windows, satisfactory creditstanding, a systematic stock-keeping method, a modern bookkeeping system, and must show beyond question that he is entering into the spirit of the plan with wholehearted
enthosism. If he proser well suppled with enthasisam, but is lateking in some of the other requirements, the Gibson Company is willing to go to great lengthe to help him. For instamere, it has developed at stmbard bookkeeping system for retail atomobile supply stores and is willing and anxions to extablish and sold it at eost to all dealers desibing it.

Each manufacturer is asked hy the (ibsom ('ompany to cooperate in two ways: first, hy fumishing a complete stherdele of his advertising pans for the vear, sperifying medimms, with dates of inortions: and serond, to supply the compsay an adequate sook of window trims, posters, show-cards, dectros, watal saldos mamals, printed matter, etc. The johbing eompany then woes to the deater selected in each town and explanis the whole phan earefully, giving each a romplete seledule for the vear, showing exactly what he is to do each werk and how he is to do it. One article is to be featared by the dealer each week, the particular week selected in each ease being one that coincides with the appearance of advertising for that article in mational publications. All deaters receiving this service are required to cooperate as follows: inser window display on day and in matmer eperiffert; display the eperial article alone on top of display ease; properly display other adrertising fumished; fumish (ibson Company with copy of each advertising as rum in local paper: dioplay an advertisement clipped from national publication on artiele in window ; see that all salespersons are properly instucted in the special selling features of the article being featured; dealess receiving this service are abso required to own a corrected mailing-list of all automobile owner: in the combly and to authorize a sstematic monthly mailing to thi list. The mechanical handling of the mailing is to be taken eare of by the Gibson Company's advertising department.

## Question

What are the adrantages and objections from the view-point of the manufacturers?

## Problem 215

Bonuses Given by Manufacturers to Jobbers' Salesmen
It has been asserted that a large number of manufacturers of food products give or have given bonuses to jobbers' salesmen. Alhough not so prevalent as formerly, the practice is still a common one. Wholesalers' associations are much opposed to the plan, claiming that it tends to make the salesmen worth less to the jobber than the manufacturer giving the bonus. Many jobbers resent the effort on the part of the manufacturer to influence salesmen in the direction of one product or another.

## Question

If bonuses are to be discontinued as a means of securing the favorable interest of jobbers' salesmen, what other methods are open to the manufacturer of patent cereals sold through jobbers?

## Problem 216

Training Retall Sales Force to Sell Manefacturers' Prodect
A paint company proposes to get new agents for its line of paints started right in part by holding evening meetings with retail clerks, in which representatives of the company take up in detail the manufacture and sale of its products, tell the clerks what is in the package, what arguments to use in selling its goods, and other information of value.

## Questions

1. What are the adrantages and objections of the plan from the view-point of the manufacturer?
2. How can approval of retail store proprietors be secured?

## Problem 217

## Brodeting sabes and Profits for Jobbing Representativeis

For the purpose of helping its wholecale dealers and increasing itsownses, the Newman Rubber Company hat frequently drawn up a budget for wholesale representatives. These budgets are made upon the basis of past performane plus an estimate of possibilities in the particular territory. Recently, a certain representative of this company handling its rubber footwear was dissatisfied and discontinued the line. In order to induce another wholesaler to take up the line and also to set before him a statement of expected accomplishment, the marketing manager undertook to draw up a budget showing that this new wholesaler could take up business in his territory with profit to himself. The possible annual business for the territory was estimated on the basis of past sales of the old representative at $\$ 200,000$. In this particular territory the average turnover of stock is three times per year. The average length of accounts receivable is 75 days. The manufacturer gives the usual wholesale discount, namely, $8 \%$ plus $8 \%$. Besides this usual commission, a bonus of $2 \%$ is given for placing orders early for at least $60 \%$ of the business. A further bonus of $2 \%$ is given for sates of $\$ 150,000$ or over. It is customary to take orders for canvas footwear in the fall for shipment in December, January, February and March, practically equal amounts each month. The due date for all shipments is July 1 , and an anticipatory discount at the rate of $1 \%$ per month is allowed, which will be taken by the wholesaler upon about $60 \%$ of his purchases.

## Question

Prepare the budget showing the gross profit, the amount of capital necessary to finance sales, and the per cent return possible on capital used for financing.

## Problem 218

## Consignment Methods as Means of Controlling Policies of Distributors

One of the large electric companies in its lamp division sells two general classes of mazda and metallized filament incandescent lamps. In general, the busines may be divided into two classes: (1) the miniature lamps, which are used for flash-lights, on automobiles, and for decorative purposes, and are sold direct; (2) large lamps used for general illuminating purposes. The business in miniature lamps is only 12 to $18 \%$ of the gross sales. There are over 1,000 styles of incandescent lamps, each designed for a specific purpose; but in most central stations and in most dealers' stocks, only a small proportion of these sizes is needed to fill ordinary demand. The market for incandescent lamps is national and susceptible of unlimited development. The demand for lamps increases with the extent to which electrical generating apparatus is sold and installed.

In order to control policies with reference to distribution in the case of the larger lamps, the consignment method is used; that is, the larger lamps are not sold outright, but placed on consignment with the various classes of distributors. Distributors are of several types: first, those who redistribute; second, those who sell direct to consumers; third, central stations. In addition, some of the larger contracts of users are handled directly by the company. Distributors who redistribute are designated as $B$ agents; these must sell under the legal appointment at least $\$ 20,000$ a year. Distributors who sell only direct to consumers are designated as A agents, whose sales must be at least $\$ 500$ per year. As soon as sales amount to $\$ 20,000$, an A agent becomes automatically a B agent. This carries with it added discounts, privilege of nominating A agents, and entitles him to commissions on the business of such agents as he develops. Legally, both types of agents are appointed by the manufacturer, but the $B$ agents develop the $A$ agents and receive
sperial compensation for that service. $B$ agents are permitted to smply the agents specified by the manwfacturer and no others. Likewise, an $A$ agent may recoive goods only from the particular 13 agent specified in the appointmont. $B$ agents are athowed an extra
 Furthermore, in order to encourage prompt remittance, both from $B$ agents on their direet business and on the business of 1 agents done through them, an added or, is allowed on the not amomint remitted, provided it is received hy the fifteenth of the month following the sale. Catch agent's territory is exchasive, but is not larger than he can eover with intensive selling methods.

## Question

Does the capital recfuirement to carry out such a plan offiset the adrantage of control of agents"?

## Problem 219)

Siles C'ontract with Large: Conscmers
Does the following contract, used by a rubber tire manufactmer, avoid difficulties with distributors selling tires in the territory in which the user is located?
( ommercial Arirefment
TIIA $\$ (iREELAEXT between the (iORHAM RUB-
 First Party, and
(of.
Second Party,
marle this
day of

## WITNENSETH:

In consideration of the following prices and guarantees the Second Party agrees to purchase from the First Party (i)RHAN THRLE exclusively for................. tire requirements for motor vehicles owned by for
from date of this con-
tract; also to specify GORHAM THRES on any motor vehicles purchased during the life of this Agreement.

The First Party agrees to allow the Second Party Sales Proposition as follows:

## TERMS:

A $5 \%$ Cash Discount will be allowed if payment is made promptly on or before due date.

This Agreement covers
Pneumatic Tires at. . . . . . . . . . . . . . . ist. .Solid Tires at . . . . . . . . . . . . . . . . . list.

Tires purchased under this contract are covered by the regular standard guarantee of the Gorham Rubber Products Company, Inc., printed on the reverse side of this sheet, and which is made a part of this Agreement.

In ease of reduction of prices hy the Company, the purchaser will have the benefit of the same and goods will be billed at the prices in force on date of shipment.

This Agreement shall be in forre until the
day of . . . . . . . . . . . . . . . . . . . . . and may be renewed by the Second Party at any time within thirty (30) days prior to date of expiration of this Agreement, basing prices for the new Agrecment on market conditions.

It is agreed that the tires covered by this Agreement are purchased by the Second Party for equipment to its own cars and not for re-sale purposes.

This Agreement is subject to fires, strikes, and other contingencies beyond the control of either party.

IN WITNEsS WHEREOF the Parties hereto have heremonto set their hands and seals this. day of 192

## (Reverse side of Agreement)

## SOLID TIRE GUARANTEE

The Company will replace with a Solid Tire any Solid Tire bearing the name of the Company and serial numbers not defaced, which in its opinion before having run 10,000 miles and with proper use and care, and within

## 33.1

twelve monthe from date of first application on Gasoline Sehicles and within eighteren months from date of first applia:ation on Vilectric driven Vohieles, develops manufacturing defoets rembering it mafit for further use. Such replarement to be comditional ats follows:
l'avoment of the ('mmpany of an amount which in its jurlgment will he fair ompernsation of the servie actually rendered hy the replaced tire; that the tire has been returned to the (ompany transportation charges prepaid; that the tire has mot ramied exerssive loats, or been drisen at exersive spereds, or has been otherwise damaged or ahmead.

## PNECALTAC' THRE (:CARANTEE

The (ompany guarantees all antomobile tires, bearing the Brand, "(ioRHAM RLBBERR ('O.," and serial number, to be free from imperfections in material and wormanh hip. 'Tises returned for consideration under this guarantere will be areerpted only when all transportation charges are propetid. If, upon examination, it is the ('ompany's judgment that tires are defeetive, they will be repaired or replaced at their option.

When tires arr replaced, warges will be made to owners at the time new tires are delivered for such amounts ats in the (ompany's judgment will compensate for the serviee rendered hy sueh replaced tires.

Tires worn out in hemal or masmal service, abused knowingly or mbnowingly, misused, used on rims not bearing stamp) No. 1 or No. 2, or on wire wheels not bearing stamp No. 3 , injured through aceident or design, are not covered by this guarantere.

Tires are not guaranted to give any definite miles of service, and any and all guarantees are expressly waived by any purhaser of these tires who uses therein any substitute for air: or who uses them under weights in exess of those for which the varions tires are recommended, or who does not keep tires inflated to the pressure recommended by the ('ompany.

Problem 920
Dembers' Contrict
The Wilson and O'Neil Company uses the following contract when granting exclusive agencies to retail dealers:

## AGENCY (ONTRACT

This agreement made and entered into this day of . . . . . . . . . . . . . . . . . . 19
by and between
Wheon ando O'Nell Paint Co., Inc.
a corporation, organized and doing business muder the laws of the state of Michigan and of.
heremafter designated as Deater,
Witnerseth:
That for and in consideration of
of State of having aceepted the ageney for Wilson Products from Wilson and ()'Neil ('o.. Ine., and in further comsideration of said dealer confining his purchases in the paint line, so far as possible to Wilson and O'Neil (o., Inc., Products. salid Witson and O'Neil Co. Inc., agree to furnish their regular publicity display, educational and follow-up advertising, abo to use newspaper adsertising pace acoording to the attached schedule: such adverti-ing to be rom on lines actively stocked by the Dealer. This advertising is to be run in paper solected by Delaer and in the name of Dealer as exclusive Wilion agent for
copy to be furnishod and epace paid for by Wilson and ONril Co., Ine.

This agreement is contingent upon Wikon and O'Neit ('o., Inc., maintaining their present ligh stamdard of quality and keeping their prices as compared with other standard lines proportionate to what they now are.

In consideration of Wikom and o'Nal Co., Inc., having the full cooperation of Dealer in the promotion of his paint business. Wison and ()'Neil ('ompany, Inc., agree to increase the paint sales of sabd Dealer........ per cent ( $\quad(6)$ within one year from the time a representative line is placed on the shelves of the Dealer, or all unsold Wilson Products, in salable condition, may be roturned at the market priere to Wikon and O'Neil Co., Ince, at the option of the Dealer.

It is umderstome this agrement covers a period of two (2) vears from this date at the expiration of which time it may be rencwed or atmerelled at the option of either party, and it is lather momerstood that this exclusive sales ageney does mot imelade Inserticides, Brushes, Lamoly supplies, Artists Material-s, Special (irmolings for Mambacturers of Morehamdise for State hastitutions.

> Whaon AND O'Neh ('O., INC.

By
Acrepted

It is mataally agreed that the prices on the merehandise eovered he the original stork omber, placed in connection with this ageney cont atets, are to be those in offere during the spring seateon of 192 l .

Dealer
By
Wiluon and ()' Neth (o., Inc. By

## Question

Will this contract tend to stimulate sales activity on the part of the dealer".

Probleai 221
Contracts witil Distributors
A manufacturer of automobiles wishes to work out a sales contract for his distributors. He has on hand a copy of a contract used by a prominent automobile manufacturer who has a very large output and whose agencies are eagerly sought. 'The contract is as follows:

> From . . . . . . . . . . . . . . . . . . . . . . . . Branch
> Curtie Sales Aerecment

This agreement marle at Detroit, Michigan, this day of $19 . \ldots$. . y and between the Curtice Motor Company, a Miehigan corporation of Detroit,

Michigan, hereinafter known as the Manufacturer, and of
in the State of .................... hereinafter known as the Dealer, Wituesseth:
(1) That Manufacturer herely grants to Dealer the privilege of selling Manufacturer's products in the manner, upon the terms and within the territory herein specificially set forth.
(2) Dealer shall make sales of Curtice automobiles, trucks, chassis, parts and accessories only to residents of, or to persons permanently employed in, the following specified territory shown on the attached map, and to no other, namely:
(3) The sale by Dealer of new and second-hand Curtice automobiles, trucks, chassis, part or accessories to residents outside of Dealer's territory is a serious damage to Manufacturer and its other Dealers and tends to destroy the organization and business of Manufacturer and Manufacturer may cancel this agreement for any such violation.
(4) The territory herein assigned to the Dealer is not exclusive, but Manufacturer reserves the right to appoint other Dealers in the same territory, to make sales therein. If, however, Manufacturer shall not appoint other dealers in said territory, then this agreement shall be exchusive, and in such ease, Manufacturer reserves the right to make direct sales to customers in said territory and will pay Dealer one and only one commission of twelve and one-half per cent $\left(12 \frac{1}{2}\right)$ of the list price of Curtice automobiles, trucks or chassis so sold after it shall have received the full purchase price therefor in cash. Manufacturer expressly reserves the right to sell its products to the United States Govermment, or to any of the Departments thereof or to the American Red Cross without the payment of any discount or commission whatever to the Dealer, and Dealer agrees to immediately turn over to the Manufacturer any inguiries or orders received therefrom without any payment or compensation to him therefor and to make deliveries of the Mimufacturer's produets, as it may direct, without charge for the handling, ete.
(5) Dealer agrees to maintain a place of business and properly equipped sales rooms and service station for

Curtior antomobiles, tucks, and chassis acceptable to the Mamfacturer, promimently located for the pmopose of conducting such hasinese and shatl employ competent salesmen and rficiont workmen and Mannfadmer shall not in tuy wise be rexponsible for any charges connected with such place of business. Dealer also agrees to pur(hase for himself and keep in the at all times at least one Curtier antomohile of the coment years motel, for the sole purpoes of demonstration and exhibition to intending purchasers and to maintain same at all times in proper romning rondition amd good dean order and repair. If he sells said demonst moting antomohile bofore the same shall have been in use threr months, Dealer agrees that he will sell it on the terms and on the eomelitions leerein governing the retail sale of new ears.
(6) Dealer agres to comspiomons display Curtice signs on and in his buidding and windows, designating that he is a cortice dealer for the territory specified herein and he shall adequately advertise the Mamufacturer's product in the locil papers and otherwise, and give his immediate and careful attention to all inquiries, and give good representation to all interests of Manufacturer. Dealer agrees not to advertise or trade in the Manufacturer's profluct in such a way as to be an annoyance or injurions to it or any of its other duly appointed Dealers, and that he will not repeat any adrertisements or publish or use any form of arlvertising matter to which the Mamufacturer ohjects, and that he will follow as elosely as posible advertising copy sugested from time to time hy the Manufacturer. Énder no direumstances will Dealer be permitted to bee the hame "("urtice" ats part of his firm or corporate mame. When agrement of Dealer is cancelled or terminated, ho agrees to immediately remove all Curtice signs and diseontinur ('urtice advertising.
(7) In order that Mamufaturer may determine the prospertive requirements of its businese and may base its purchases for materials, ofe., thereon, the dealer agrees that he will furnish the Manufacturer on form provided, prior to December 31st of earh yoar, an estimate of the number of Curtier automobiles, trucks and chassis Dealer will sell at retail and to be shipped him in the various monthe of the following year as sperified.
(8) Mamfacturer agrees that the estimate and shipping specifications of the Dealer will receive Manufacturer's careful attention, but Manufacturer does not agree absolutely to fill them, but expressly reserves the right
to refuse them from time to time, or such parts of them as Manufacturer deems necessary or proper, and all such estimates are subject to delays occurring from any cause whatsoever in the manufacture and delivery of its prod-uct-no legal liability to fill such estimates being incurred under any circumstances. And the Dealer may cancel, upon one month's written notice to Manufacturer, any unfilled part of said estimate.
(9) Manufacturer shall not be liable in any way for delayed shipments or on account of shipments by any other than a specified route.
(10) Manufacturer will sell its Curtice automobiles, trucks and chassis to Dealer as hereinafter provided at seventeen and one-half per cent ( $171 / 2 \%$ ) discount from its established list price f. o. b. Detroit, Michigan.
(11) Dealer shall pay to Manufacturer in cash or by accepting and paying sight draft attached to bill of lading, including exchange, the full list price at the time of purchase from Manufacturer of its automobiles, trucks, chassis less a discount of seventeen and one-half per cent $(171 / 2 \%)$. The title to all products, until actually paid for by Dealer, shall be and remain in Manufacturer.
(12) Dealer shall pay the freight from Detroit or such Branch House as the Manufacturer may elect to ship from, and advance freight, to Dealer's place of business. Dealer shall pay all expense incurred by Manufacturer for crating, boxing, packing, double decking and loading its product. All shipments will be at Dealer's risk from time of delivery to carrier by Manufacturer at place of shipment. Dealer shall collect from retail buyers for freight charges and delivery expenses \$..........on each Curtice automobile, truck and chassis sold in addition to the regular price of such Curtice automobile, truck and chassis.
(13) Dealer shall pay any taxes that may be levied upon or against or on account of such business on his stock, or any Curtice automobiles, trucks and chassis as may be in his possession or in transit on bill of lading or otherwise for delivery to him. Dealer shall pay any present or future United States tax or excise upon or in respect of each automobile, truck and chassis, part or accessory, as may be in his possession or in transit on bill of lading or otherwise, for delivery to him.
(14) Dealer agrees that he will purchase from the Manufacturer and carry at his place of business an adequate stock of genuine Curtice parts at all times during the term of this agreement. Inasmuch as the
reputation of ('urtice automohiles, trucks, and chassis is often ingured by the use therein of parts made by others, Mamufacturer sugesests that all purchases of parts be the Dealer shall be made as to all parts listed in its parts catalog, exclusively from the Mamufacture and that he will mot use, soll, of recommend to (imetice owners or others, similar parts mamfactured by others.
(Iis) Mamufacture agrees to allow the Dealer a discount of forty per cont $(4)^{\circ} \%$ ) an all parts of Curtice automohiles, trucks and chassis listed in the Curtice parts price list f. o. h. Detroit, Michigan. Dealer agrees to allow a discount of twenty-fiva per cent (25\%) f. o. b. his plate of businces on such parts to all public garages and repair shops in his teritory. Discount of forty per cent $\left(40^{\circ}\right.$, $)$ is allowed in consideration of Dealer carrying an adequato amomit of stock provided above, selling to public garages and repair shops at a discomot of twentyfive per cent ( 250 ) and faithfal performance of the other provisions of this agreement.
(16) Manufacturer reserves the right to sell and deliver or canse to be sold and delivered any parts of Courtice automobiles, trucks, and chassis, repairs, accessories or other goods that may he ordered from it by any person within the teritory covered hy this agreement, withont the payment of any profit or allowance or commission or any discount or aredit whatever to the Dealer upon such sales.
(17) Manofacturer may change the list prices of any of its products at any time and in case of increase or reduction in such list prices, Mamufacturer shall not be bound to make any allowanee to Dealer on any of its products shipped before such changes take effect, except in ease of a reduction in price the Mamfacture will allow the Dealer a proportiomate rebate on the purchase price only on such automobiles, trucks, and chassis as were shipper to the bealer within thirty days immediately before such change and still remain in his possession unsold at the date of such reduction.
(18) Dealer shall obtain from each purchaser of a Curtice automobile, truck or chassis a written order duly signed by the purchaser, upon Retail Buyer's Order to be furnished by Mamufacturer, together with a eash deposit of not less than fifty dollas ( $5,0.00$ ) on each Curtice antomobile, truck or chassis and will file with Manufacturer such original Rotail Buyer's Order after delivery of such Curtice automohile, truck or chassis to the customer. Mamufacturer shall have the right at any time to
visit Dealer's place of business and check up aud verify all Retail Buyers' Orders.
(19) This agreement shall continue in fore and govern all transactions between the parties hereto montil canceled or terminated by cither party, but it is agreed that either party shall have the privilege, with or without ramse, to eancel and annul this agreement at any time upon written notice by registered mail, or persomal delivery of notice to the other party, and such cancellation of all minflled retail and other orders and recuisitions for all prothets of Manufactarer which may have been received by the Manufacturer from the Dealer prior to the date when such cancellation is served.
(20) In case of the cancellation or termination of this agreement the Mamfacturer may, at its option, re-purehase from the Dealer at the price which he paid therefor, plus freight, all such of the aforesaid new and unused Curtice automobiles, trucks, chassis, parts and aceessories as he may have on hand unsold at the date of such cancellation or termination. Manufacturer shall be entitled to take possession of all such Curtice automohiles, trucks, chassis, parts and accessories remaining on hand and wherever found, without any legal liability whatever, upon tendering to Dealer the said purchase price thereof plus freight.
(21) Upon termination of this agreement by cancellation or otherwise the Dealer shall turn over to the Manufacturer all bona fide retail orders that he may have on hand unfilled and also list of any prospective purehasers within his knowledge and the Manufacturer shall not be liable in any manner whatsoever on aceomet of the cancellation or termination of this agreement, even though therafter the Manufacturer or any new representative shoukl complete any deals inangurated by Deater.
(22) Dealer aqrees that he will make mopairs on all Curtioe antomobiles, trucks and rhassis in his territory, or coming into his territory, whether sold through him or not, and to perform this work promptly and in workmanlike manner, and that he will not remove or alter the Manufacturer's patent plate, motor number, or other numbers or marks affixed to any Curtice automobile, truck, chassis, part or accessory or permit it to be done.
(23) Manufacturer owns and the Curtice antomobiles, trucks, chassis are mamufactured under and emborly the following letters patent of the United States of America, or some of them, namely: (design patents and application for letter patents now pending and undetermined). Manu-

 mador amd embonly the exelusive right to the use of the



 moler said appliattion is hereby express almited; and
 trucks, chasis, pats and aceresorise, as delivered to the Wealer are petrictal acoording to the terms of this agreemont aml that mo lieense is given to handle or use said Courtice antomohiles, thatks, whasis, parts or aceessories muler surh patents and applieations, exeppt strictly in ateondather with the terms and romditions of this agreement.
(21) The failure of the Memufacture to enfore at any time any of the provisions of this apreement, or to exemed amy ontion which is herein provided or to require at any time perfomamee by the Dealer of any of the provisions hereof, shatl in no way be construed to be a waiver of suth provisions, nor in any way to affect the valielity of this agreement or any part thereof, or the right of the Mamufacturer to thereafter enforce each and every such provision.
(25) It is agreed that the Dealer is in no way the legal representative or agent of Manufacture for any purpose whatsoever exeopt as expresty stated in this agreement amd has no right or authonity to asime or create any obligation of any kind, expresed or implied, on bebalf of Mambacture or to hind it in amy repert whatever. He shall make mo waranty or representation of Manufacturer's products, hat shall refor purchaser to Retail Buyers (oder and the printed literatme of Mandacturer for any warmatr made hy Manafactarer.
(2i) Dealer thall have no right to asign this agreement, or any interest in it without the written consent of the Mamfacturer.
(27) It is mutually understood this is a Michigan agromment amb shall be construed as such. And it is further umberstood by the parties hereto that this is a gencral selling agrecment intended for use by Manufacturer whereser its problucts may he rold and therefore if any of its provisions shall eontravene, or he invalid, under the lats of the particular State. Cometry or Juriseliction where used, then it is agreed that such contravention or invalidity shall not invalidate the whole agreement but
it shatl be comstrued as if not contaming the particular provision or provisions held to be invalid in the said particular State, (ountry or Jurisdiction and the riohts and obligations of the parties shall be construed and enforced accordingly.

In Witness Whereof the parties have hereunto set their hands and seals the day and year first above written.

| Signature of the Deaker | Signature of the Minufacturer |
| :---: | :---: |
| -(L. S.) | Curtice Motor Co. |
| By- (L.S.) | $\mathrm{By}_{\mathrm{y}}$ - (L.S.S.) |
|  | Branch Manager. |

Is this contract suitable for an automobile manufacturer who is attempting to market a new car?

## Problem 2 de $^{2}$

## Exclusive Agency Contracts

While a written contract is in many cases desirable from the view-point of the manufacturer when dealing with exclusive agencies, there are many instances of exclusive agencies having been granted without formal contract. Prominent clothing manufacturers, who make a practice of selling only to one dealer in a town, do not ordinarily require written contracts. There is an implied understanding that, in return for rights to the sale of the manufacturer's product, the dealer will push the goods of the manufacturer and possibly will handle no directly competing lines. However, in the automobile trade and in some other lines it is customary to use agency contracts in which are set forth not only the agreements, but also the policies of the manufacturing concern. The content of such a contract is usually left to the legal counsel. The export trade makes widespread use of exclusive agency contracts, and it is suggested that export experience may offer
something to the manufacturer in handling domestic sales agembies.

A prominent export manager has listed the following points to be covered in the contract between the manufacturer and the foreign agent:*
(1) Vgent's official name and address:
(2) S'eller's official name and address;
(3) Nature of relation and mutual obligations;
(4) Territory and products;
(5) Reserved rights of seller in described territory;
(6) Terms of contract;
(7) Method and time of compensation of agent;
( 8 ) Protection of agent and compensation on direct and indirect sales in his territory;
(9) Prices, discounts, etc.;
(10) Terms of sale;
(11) Conditions surrounding sales by agent for account of seller;
(12) Provisions covering bankruptcy, etc.;
(13) Prices at which agent shall sell;
(14) Ciranting or withholding right of agent to sell outside his own territory;
(15) Right of agent to sell or act as agent for competing products;
(16) Allowances for advertising, samples and selling expense;
(17) Required purchases or sales in each year of agency relation;
(18) Definition of such purchases or sales and of required relation (if any) between purchases by agent in comparison with sales to others;
(19) Provisions relating to the possible failure of agent to reach purchase or sales totals;
(20) Statement of the right of seller to pass on and to limit credits or sales totals;
(21) Cancellation clauses;
*World's Markets, February, 1921, article by Walter F. Wyman.
(22) Rights and privileges of seller and agent at expiration of contract or at termination of contract equitably protected;
(23) Repairs, damages and claims defined and policy and practice portrayed;
(24) Provision for disposition of stock at ending of contract;
(25) Non-assignability of contract.

## Questions

Should all of these points be provided for in a contract between
(a) a manufacturer of automobiles and his state and retail distributors;
(b) a manufacturer and a distributor of automobile accessories;
(c) a manufacturer of talking machines and retail dealers?

## Problem 293

Saleg Contracts for Canned Goods Futures
For many years, there has been friction between canning companies and wholesale groceries with respect to the terms of sales contracts. In the spring of 1921 the National Wholesale Grocers' Association, through a committee on contracts, recommended the following form of contract:

## 36t PRO日月,

## National Wholesabe (irncerg' Assochation of the ['NTAD SHATES

Contrad for ('amed Firnits and Vegetables
192.

Place and date
of . . . . . . . . . . . . . . . . . . . hereby
rells, and. ..................... of
hereby purdares, shloject to the agreements and conditions set forth upon the hatk hereof and hereby made a part of this contrad, the following deseriborl camed goods:

Description:

Delivery-IF. O. B
(scoller)
Freight-Pobe pail by Buyer.
'Terms- Tor, parment against draft, five dave' sight, less ere and batance on arival, prompt examination and approval; or all rash, less $1^{1} 2^{\prime}$ 'r five day after car is avalable for examination; or 30 dats net; buyers' option.
(seller)

(Buyer)
By

## (Brokers)

Futcre Deliveries-Cioods sold for future delivery shall be shipped during packing season, or not later than 30 days after packing season closes.
seller agrees to provide for sufficient acreage on basis average (rop vidd to cover all goods sold. If causes hesomil sellers control prevent full delisery, buyer will accept 75 per cent delivery with all other buyers of same grades. If seller does not make 7 is per ent delivery, he shall pay buyer ath amount equal to one per cent of the price for each one per cont reduction below 75 per cent total quantity hemin purchased, but in no case shall delivery be less than 50 per cent.

Buyer shall have privilege of reducing quantity to 75 per cent of total quantity herein, provided he mails seller written notice before packing season opens.

Speclal Guaranty-Seller shall ship in bright, merchantable cans.

Goods sold before or during packing season are guaranteed against spoils, swells, leaks and springers until September 1st of following year. Subject to requirements of food and sanitation laws, and except for cans cut, spoils, swells, leaks and springers shall be held subject to seller's order. Seller shall reimburse buyer at contract price for spoils, swells, leaks and springers.

Goods sold after packing season are guaranteed against spoils, swells, leaks and springers to September 1st following date of sale, provided, however, that such guaranty shall in every case continue for at least six months after date of sale.

Labels-If buyer's labels are used, seller shall allow cost of his labels for similar grades. If shipped umlabeled, a labor allowance to buyer of 10 per dozen on sizes smaller than No. 10 and 4 c per dozen for No. 10 shall be made. Seller shall also properly stencil ends of eases. Buyer's labels and stencils, charges prepaid, shall be in seller's possession in time to make proper shipment.

Packing-Shipment shall be made in well nailed, standard wooden cases, untess otherwise specified in contract; all cases and containers shall comply with tariff schedules filed with Interstate Commerce Commission.

General Guaranty-Seller guarantees goods to conform to national and state food laws and regulations and to have been canned in accordance with state and federal child labor laws.

Liability-Incase of destruction of business property of either party by fire or other accident, contract may be canceled upon prompt written notice to the other party. In case of partial loss to seller's property, undamaged portion of goods shall be delivered pro rata on unfilled contracts.

Arbitration-All disputes arising under this contract shall be arbitrated in the usual manner, unless there is a regular Arbitration Committee appointed by the National Wholesale Crocers' Association and National Camed Foods and Dried Fruit Brokers' Association, and indorsed by the National Canners' Association, for the district in which the dispute arises, and then by three members of such arbitration board. Decision of the arbitrators shall be final and binding. The cost of arbitration shall be paid by the loser.

Cemthicate of Cab Loading-Copy of certificate of car loading shall be presented with invoice.

## Cortificate of Car Loarling

(Carbon copy to be presented with invoice to save loss and damaye ctaims and deduction).
The undersigned hereby cortify to the following service: We have:
Inspected car No................... for leaky roof, walls and doors, mails, bolt-heads, blocks and braces that might injure contents, and we have protected against them.

Cleaned car of dirt, filth, oils and grease, or have covered sime to protect contents loaded by us.

Sealed all containers in aceordance with the classification, outside flaps meeting, boxes square and true and flaps thoroughly scaled over the entire surface. Wooden cases have solid or closely fitting sides, ends, tops and bottoms securely fastened and no broken parts exposing contents.

Loaded the contents with ean on end, spaced the rows to fit the car snugly in width and length, with no space between rows or tiers.

Braced boxes loaded above the grain lining and braced boxes in meven rows and boxes forming incomplete top layers and boxes about car (loors to avoid shifting and rubbing. (Bracing while especially important on long hauls is needed on all ears on account of switching.)

Counted contents and find

Closed car doors snugly, sealed car doors and lined top and side cracks of cars with heavy waterproof paper or suitable materials.

| Caming Company |
| :---: |
| Cooper |
| Load and Tally |
| Shipping Clerk |

Note-Where contract permits fibre boxes, and such containers have been used, the tops of those containers containing unlabeled goods should be seated with tape only. Moreover, car loading certificate should include statement that bill of lading has been stamped as required by the classifications for shipments in fibre containers.

At the same time one of the largest canning and packing companies, with general offices in Chicago, uses a contract form as follows:
(1) Terms of Payment. $1 \frac{1}{2} 0$ discount for cash in 10 days from date of invoice, or 60 days net.
(2) Conditions: S. A. P. contracts are subject to buyers' immediate confirmation when opening prices are named.
(3) Swells, blown and pierced tins from future delivery purchases guaranteed to July 1 following the year packed. Spot delivery purchases six months from date of shipment.
(4) In case of destruction of buyer's place of business by fire or the elements prior to the fulfilment of this contract, the buyer shall have the right to cancel same by giving seller written notice to that effect within five days after such destruction occurs. This provision shall apply only to unshipped portion of order and shall not apply to shipments made prior to the receipt of notice of cancellation.
(5) Seller shall not be liable for short, late or nondelivery of goods resulting from, or contributed to, by damage to its contracted crop, strikes, fire, flood or any cause beyond its control, or any unavoidable casualty or circumstance, in which event it is mutually agreed that deliveries are to be prorated to all buyers withont discrimination from suitable stock remaining in seller's possession.
(6) In case of withdrawal from sale of one or more items prior to seller's receiving contract, specifications or change in specifications, the seller has privilege of not aceepting items withdrawn.
(7) Goods are at risk of buyer after delivery to carrier; seller does not assume any responsibility for any change in tramsportation rates, either an advance or decline, that may take place between the time this contract is entered into and shipment is made.
(8) Seller will not be responsible for any delivery, terminal distributing, handling, storage or demurrage expense at destination.
(9) Notwithstanding shipped to seller's order, goods are at risk of buyer from and after delivery to carrier, and buyer herety assumes responsibility as to shortage, loss, delay or damage in transit upon issuance by carrier of clean bill of lading.
(10) Seller wnarantere goods in accordance with Food Law (imaranter adophed by the National Wholesale (irocers' A anciation and alion in aceordance with the Stato and National loond Laws, exerpt that seller is only responsible for mishranding when seller's labels amd bratuls are used. Sodler diselatms any respomsibility for mishamding when goods are not shipped moder sedler's labels.
(11) No contract shall be binting upon seller matil signed hy Whaton Patking (orporation, Chicago. Neither brokers nor satesmon have athority to make any conditions, verbal or written, except those named hereom.
(12) Prices guaranteed against woller's dectine to date of shipment.
(13) Unfess otherwise stated in this contract, the merchandise hereby sold is to be delivered when seller shall have them ready for shipment.

## Questions

1. As an official of the camning company, would you be willing to accept the contract under the terms proposed by the wholesale grocers"?
2. What terms in the packing company's form of contract might be objectionable to a wholesale grocer?

Problem 2.4
Future Sales Contracts for Dried Fruits
Dried fruits have in past years been sold commonly by the packing companies through brokers to wholesale grocers, under two general terms of sale. In neither type of contract made for future delivery are prices specified. In one type of contract, called the S. A. P. contract, the purchase made by the wholesale grocer is
not valid until prices have been approved. Usually, such a contract is stamped "subject to buyer's approval of contract, terms and conditions when named by seller." The other type of contract, called the F. O. P. contract, calls for delivery of dried fruits at opening prices, the phrase used being "Firm at sellers' opening prices, terms, and conditions.

## Question

Which contract is preferable for a wholesale grocer?

## Problem 295 <br> Sales Contracts-Knit Goods

The following contract is recommended by the National Wholesale Dry Cioods Association for use in purchasing from manufacturer and selling houses:

$$
\begin{aligned}
& \text { JOHN DOE KNITTING COMPANY } \\
& \text { New Fork, N. Y............ } 1921 .
\end{aligned}
$$

No.
The John Doe Knitting Company hereby sells and agrees to deliver and
of
agrees to receive and pay for the following goods at the following prices and upon the following terms and conditions:
Terms:

| Quantity | Description | 25 | 30 | 32 | 34 | 36 | 38 | 40 | 42 | 46 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

(The length of the above cohmms and their arrangement to be (lecided according to your needs.)

1. It is understood that the prices and terms of this contract shall not apply to or have any bearing upon any other contract.
2. In the event of the failure of the seller to make delivery of ans goods within fiftern days of the dates herem speribied, the buyer shall have the option of reoriving surh goorls asom as the manufacturer cath make welixery theroof or of camoelling the contrat amd recerving as liquidated damages an amount erual to 10\%; of the contrat price of the undelivered portion of such past due goons. Delivery to the earier atol mailing insoice amd bill of lading 10 the purehaser shatl be deemed a dedivery to the purehaser in athemoer of ameroment that the seller shall invoiere but hold the mools. Cim you make any sugestions for improvement?
3. If the production of the seller's mill shall be cortailed between the date hereol and the end of the period for delisery perilied herin, by strikes, lockouts, ancodents, fire, casualtios, or any other eatuse beyond the reasomable control of the seller, a proportionate reduction in quant ity delivered may he made. Upon the oremmence of any ol the contingencies mentioned above, the seller shat mail notice to the buyer within ten days after he has knowledge thereof.
4. The deliveries heremoler are subjeet to regulation of eredit by the seller from time to time. Furthermore, satisfactory security before manufacture or delivery may be demanded.
5. Merehandise owned by the buyer, bat held at the seller's mill for whatever reason, is at the buyer's risk. It will, however, be included under the general fire insurane policies of the mill, and in case of lose, aldustment will be made out of the insurance received, pro rata with all goorls damaged.
6. Any unsettled differenees arising out of this contract regarding quality, construetion of fabric, details and finish, shall he sotfled by arbitration, the parties agrecing to submit their differences to a board of ablation appointed for one year as follows:
(one member by the Presilent of the Knit Goods Buyers Ascoctation.
One member by the President of the Kinit Goods Manufacturers of America.
And the thind to be chosen by the two arbitrators above mentioned whowe decision shatl be final.
This contract shall become hinding upon both parties when it is signed by an offerer or authorized agent of the purchaser, and by an officer or anthor-
ized agent of the seller, and a notice of acceptance is mailed to the purchaser within ten days from date.


## Purchaser

by................... . .
Authorized officer or agent.

## Question

Should a manufacturer of knit goods use this contract".

## Problea 296

Sales Contracts-Cotion Textiles
At the present time and for twenty-five years past, some of the largest cotton brokers in this country have used a contract reading substantially as follows:

Sold for account of . . . . . . . . . . . . . to . . . . . . . . . . . . . to
be delivered. . . . . . . . . . . . . to count . . . . . . . . . . . . . picks to the square incli; to be. . . . . . . . . . inches wide; weight not lighter than. . . . . . yards to the pound; at. . . . . . . cents per yard. Term-. . . . . . . ; delivered. . . . . . . . ; to be shipped. . . . . . . If the production of the . . . . . . . . Mill shall be curtailed during the time above named by strikes or lockouts to counteract strikes, or any mavoidable cause, the deliveries shall only be made proportionate to production.

To meet war conditions one of the leading commission houses in the market amplified this form by adding the following clauses:
(1) If delivery to tramsportation company is prevented or delayed by act of Govermment, rar shortage, embargo or unavoidathe casualty, delivery of hill or invoice shall constitute delivery within the meaning of this contract. In case of default or delay in any one delivery such default or delay shall not affect the balance of the contract.
(2) This order is ako taken subjeed to delay in delivery or to redmetion in quantity in whore or in part if the commereial production of the mill is rartated or interfered with through war or ambargo or (iovermment at of requirement or other vanse beromel our entrol.
(3) If the proturtion of the mill hatl tre cartailed by strike, lockout, riot, fire, ant of (ion or matomidale easualty, delivery need omly he mate proportionate to production.
 at huserse risk. such goode will, howerar, be covered by us by fire insurance only, pro mata with all other stock on hamd hedonging to we or hold he u- for our customers, but without gatamater he us of rither the quantity or quality of such insurance.

It is well known that in the past many yards of goods have been bought and sold without the forms being completed; some buyers will not sign the contracts and sollers have not pressed the matter.

In comnection with the discussion as to new forms, the following guestions wore asked:

## Questioms

1. Are intricate forms necessary".
2. What revision should be made in forms quoted above?

## Probleay 9.7 <br> Contracts in Iron and Steel Industry

The following forms are used by the Burlington Steel © Iron ('ompany (Form . D) and the Sheffield Steel Company (Form B) to cover contract sales of pig iron and rolled-steel products.

## FORM A

192. 

## Proposition from

## Covering Purchase of Pig Iron from

BURLINGTON STEEL \& IRON COMPANY, Pittsburgh, Pa.
Submitted through

## Sales Agent

Sale No.
Contract No.
Quantity
Tons
Grade
Specification
Price
Per ton of 2240 lbs., delivered f.o.b. railroad cars or furnaces at. . . . . . . . . . . . . . . . . Ala. Cash 30 days from average date of monthly
Payment deliveries (invoice date)
Delivery

The seller shall not be responsible for delays eaused by strikes, differences with workmen, accidents at the works, shortage of ears, delays in transportation, or other causes beyont its control.

Each month's deliveries shall be treated as a separate contract, independent of deliveries for other months, but upon the failure of the purchaser to pay for any iron detivered hereunder within the time stipulated for such payment to be made, the seller may suspend further deliveries until such payment is made, and the seller may also, at any time when the purchaser is in default in making payment for any iron delivered hereunder within the time stipulated for such payment to be made, treat the contract for any or all undelivered iron as broken by the purchaser.

In case of any default whatsoever of the seller in regard to installments herein mentioned, the buyer shall not, by reason thereof, be excused or released from any obligation in regard to other installments.

The seller will not be liable for any overcharge in freight when correct weight is expressed in bill of lading.

This contract not linding on seller till accepted by officer named on form below:

ACCEPTED AT BIRMIN(YHAM, ALABAMA. 192
BURLINGTON STEEL \& IRON COMPANY
PER

# FORM B（page 1） <br> 心HEFTHELD）ぶTELL（OMPLNY <br> Pottilat kith，Pa． 

Prick No．

|  |  |  |  |
| :---: | :---: | :---: | :---: |
| and <br> agrees to buy <br> QUANTITY <br> MATERIA． |  |  |  |
|  |  |  |  |
|  | Aaterial to be within the limits and of the sizes published he＇der and whbered to sedfer＇s stambard variations fir rolling and chating． |  |  |
|  | 1）ハ，OF ＇ToNNAGE | 1）ĚTALI，OF <br> Material | $\begin{aligned} & \text { Prices and } \\ & \text { Extras } \end{aligned}$ |
| PRIC ${ }^{\text {c }}$ |  |  |  |

The price or prices quoted berem are based upon car lowd freight mater from．．．．．．．．．．．to the phace of delivery in effee at the date of this agrecment， viz．．．．．．．．．．ents per 100 promus．In the event of an increase in such freight rates，the amont of such increase shat be added to the price of alt materials shipped against this contract during the period in which such increased rate is in effect，and in the crent of a deerease in－urfh freight rates，the amount of such decerease shath be fleducted from the price of ath materials shiped heremoder during the period in which such decreased rate is in effect．
PLACE OF DELIVERY

Sheet No． 2
Price No．．．．．．．．．．．．
TERMS（OF
PAYMEN＇T
In case the buyer shall fatil to make payments in acordane with the terms and provisions of this agreement，the soller maty defer further shipments mitilsuch maments are made．or maty，at its option， terminate this agreement．

Shipments and deliveries muder this agreement shall at all times be subject to the approval of the Seller's Credit Department ; and in case the Seller shall have any doubt as to the Buyer's responsibility, the Seller may dectine to make any further shipments hereunder exeept upon receipt of satisfactory security or for eash before shipment.
QUALITY

Specifieations shall be furnisted to the Seller by the Buyer in substantially equal monthly quantities, begimning on the..... day of ...... $19 . .$. and ending on the....... day of ........ 19.... The Buyer's failure to furnish specifications as aforesaid, may, at Seller's option, without notice to Buyer, be treated and considered as refusal to accept and receive the masperified portion of the goorls.
TIME OF
PAYMEN'T
In the event of mavoidable delay due to fires, strikes or other causes beyom the control of the Seller, the Buyer may, subject to previously obtained consent of the seller, cancel the portion of the goods not mannfactured or in process of manufacture at the time his request to cancel reaches the Works.

The keller shall not be rexponsible for delays in deliveries callsed by strikes, differences with workmen, shortage of cars, delays in transportation, aceidents at mills, or other contingencies beyond its control.
EXECUTED IN DUPLICATE, this.....
day of .................. 19

## Sheffield Steel Company

By
Assist. Gen. Manager of Sales.

## Questions:

What are the advantages and disadvantages of such contracts from the view-point of
(a) the purchasers of pig iron or steel;
(b) the pig iron or steel producers?
Probleal 298
Orders of Spechaty SalesmenJobbers have complained very frequently that largenumbers of specialty orders, turned in to them byspecialty salesmen, were being refused at time ofdelivery. The American Specialty Manufacturers'Association made an investigation of 175 orders turnedback to a certain jobloer during a period of two weeks.Thirty-six reasons were given by the retailers for therefusal of 165 orders; the main reasons were as follows:
Stores closed or changed hands ..... 14
Clamed goods delivered and accepted ..... 12
Canceled over phone (added to regular orders) ..... 12
Clamed delivered too late (purchased elsewhere in some (ases) ..... 27
Claimed goods not delivered (wrong delivery days and hours: ..... 21
Did not have money-check (other money reasons, higher prices) ..... 22
Wrong goods delivered (wrong address) ..... 6
Substitution ..... 1
Plain rejection ..... 4
Gave order to get rid of salesman ..... 1
Claim did not sign ..... 5
Would not receive old cereals authorized by salesman ..... 6
Woman gave order subject to husband's sanction ..... 1
Sold to woman; husband refused ..... 3
Did not order. ..... 2
Salesman applied " $X$," signed merchant's name. ..... 1
Salesman sold goods to 12 -vear-old girl ..... 1
Woman signed order, thinking she was getting samples ..... 1
Ordered through another jobber ..... 1
Salesman wrote order for one man, signed by another ..... 1
Miscellaneoms ..... 10
Questions
Can any conclusions be drawn from the view-point of (a) a manufacturer of branded, advertised baking powder;
(b) the grocery wholesaler?

## Problem 299

## Jobbers' Discounts

The Aylsworth Company, of Chicago, manufacturing several widely advertised package cereals, has for many years maintained the policy of making no concessions in price upon large purchases. Concessions are made upon orders for 5 -case lots, because of freight advantages in the latter, but chain stores and large purchasers are not favored over the comparatively small grocers, who are able to handle without difficulty five cases at a time. Jobbing prices are quoted, but no differences are made as between jobbers, and jobbers are requested to maintain prices in selling to retailers. The buyer of a group of chain stores has asked the company for a jobbing price, agreeing to contract for an amount of product which is greater than that used by many of the jobbers with whom the company deals.

## Questions

1. Should the company grant this buyer the jobber's price?
2. Assuming that the buyer is not an organized chain store, but represents a retail buying association having a wholesale warehouse, is there any reason for differentiating in price between the chain store buyer having 25 stores and the cooperative buying association consisting of 25 independent units?
3. A jobber starts a retail store in the outskirts of the city in which his wholesale store is located. Should the Aylsworth Company continue to quote jobbing prices or refuse to sell at jobbing prices to this concern?
4. What other arrangements might be made to provide for the situation without departing from regular policy?

## Problem 930

Jobbers. IDiscounts
On what basis should jobbers' discounts be granted by a mamufacturer of automobile accessories? The decision will frequently depend upon whether quantity alone determines the size of discount or whether recognized standing as a jobber is also required. A certain firm, in receiving an inguiry from a firm which has not handled the product before, usually writes as follows:

We very much apprediate yond inguiry for jobbing information. With a clearly dofined johber policy such as ours, we feel that wo are sorving the best interests of the entire trade hy being extremely carefnal that we do not quote jobber diseombts except to conerens whose status as jobber in the automobile arecesory field is clearly established beyond all reasonable doubt.

We readily admit that our present jobber list may not contain all such mames, and therefore, when we reeeive such a request from a concem not on our list, all we ask is an opportunity to make our own investigation.

The enclosed questionnatre is prepared especially for this purpose, and we ask you to fill it out and return it to us in strict confidenee. This will give us the information neeresary to pass on the matter, and we will let you know the result as soon as possible.

If the inquiry is from a concern which has been handling the manufacturer's goods as a retailer, the reply is modified something as follows:

We very much approciate your incuiry for jobbing information. Your desire to cuter the jobbing field with our article pleases us especially, because it is mmistakable evidence of the growth of your own business as well as your good will toward our product.

We admit frankly that our poliry in regard to offering jobher discomats is a very comservatire one, and we believe it is for the best intereste of the entire trade that it should be so. For instance, if we give you the johber discount now, it is equivalent to taking away that amome of business from the johber from whom ron have been buying. He would maturally have just canse to complain, just as you would were positions reversed, unless it is clearly shown beyond any reazonable doubt that you are entitled to jobber clasification.

For these reasons we ask you to fill out and return to us in confidence the enclosed questionnaire, which will give us the information necessary to make an intelligent decision. We have every desire to classify you as a jobber if we can conscientiously do so.

The questionnaire mentioned in the foregoing letters is printed on one letter-size sheet and reads as follows:

Name of concern.
Address.
City . . . . . . . . . . . . . . . . . . . . . . . . State
Names of manager. . . . . . . . . . . . . . . Buyer.
Do you publish a catalogue
Do you use a syndicate eatalogue
What territory do you cover.
How many travelers selling antomobile arcessories do you employ
How many months do they travel
What was the total amome of annmal business in automobile accessories your last fiscal year.
Amount of last inventory auto aceessories
Percentage of your business done at wholesale
Do you send out any cut-price bargain sheets
Have any mfrs. to whom you have applied for jobber's discounts refused them to you.
Write below names and addresses of at least six manufactures of national reputation who now extend jobber discounts to you

## Question

Is this a satisfactory method of granting jobber discounts?

## Problam 931

## Redemin; Pheres th Meet Competition

The B. MI. Dum ('omprays, of ('leveland, Ohio, manufacture huiders tools. Smong other articles it produces files of quality grade. In Jugust, 1921, the rice-president in charge of sates sent the following letter to the members of the bard of directors in anticipation of a meeting which was shortly to be held.

We hate just remored motier that brown has reduced his prices on files $121,2^{\prime \prime}$. This reduction probably applies to all his bramts. It is mot likely that the other file makers will follow brown with a similar redaction. The question is what should we do.

Dum files ate probably better than any other brand made. Teste such as those shown in our saturday Evening Post advertisement Jme ? which all of you will see, prove that Dum files are worth at lanst 50 存; mere in actual value as a permanent proposition. It will be necesayy for us to get more for them than other maker: get for theirs. Dunn files were eonsistently sold for sears at priees rming about $25 \%$ higher than wher beet makes, Last May we made a reduction of about $30^{\circ}$ in our prices which hrought our files $7 \frac{1}{2}$ to 10 , helow other makers best product, hat we made it very clear at the time that this reduction was made in recognition of conditions calling for lower prices. Brown reduced his priees to meet ours. Both of his reductions together amomed to only about 20 ", whereas our single reduction was $300^{\circ}$.

If we now made amother reduction of $1212 \%$ to keep our price in line with Brown we fear that our customers will expect that this is to be our policy, and the very fact that we put the files on the same price as brown, will make it harder fornstoconvine buyers that "they re worth more." It orcurs to the that we ean reatize more on files by spending this $122^{1} 2^{\prime \prime}$ to make the files more salable, rather than giving them away at awor priee. The Dum short line has merfamtise posibilitie that no other file line has. One idea we have is that we might get up a diphlay ase for the retailen's comber to contain most of the line of Dum files. The care we have in mind is to be handsone, strong, and permanent. Wir might make it of mangamy work with a glase top when aonth be lifted in selling the file. It would contain rompartment- to hod a display of each of the 45 files. We would propose to give one of these cases to a retailer with an order for two gros of Dom files. Roughly
speaking, we figure that our price to the jobber for two gross of files would be about $\$ 50$, and the case which we would give free would be worth about $\$ 10$. The jobber would therefore receive the files and the case combined for not any more nor less than he could buy the files from Brown in a case separately. The same would hodd true for the retaiter when he places his order. We would tell the jobber, and the retailer through our missionary salesmen, that this was Dumn's second step in making files a merehandise proposition instead of simply a competitive commodity.

Question
What action should the board of directors have taken on this recommendation?

## Problem 232

## Price Reduction

On a declining market a certain shoe manufacturer finds that he can reduce prices to dealers 10,0 , but not more. He is confronted with the possibility that, if he reduces his prices $10_{0}^{\circ}$, the retailers will pocket the difference in cost and, as a result, the manufacturer will not feel the stimulation in sales to which he is entitled

## Questions

From the view-point of the manufacturer, which of the following courses of action would be advisable?
(a) Reduction of prices $10 \%$.
(b) Using the amount of the $10^{\circ}$ reduction in an elaborate adrertising campaign.
(c) Reducing $5 \%$ and putting remainder in advertising.

Problem 233
Price-Cetting
A prominentsalesmanager states that there are three Wats of preventing pricerenting:
(1) Dealing direct with retailer;
(2) Cranting exclusive agencies;
(3) selling to the dealer at the same price, whether the order is for a large or a small quantity.

## Ouestions

Is any one of these plans suitable for a manufacturer of
(a) Silk dresis goods.
(b) Prepared cercals.
(c) Advertised line of hosiery.
(d) Electrical household devices.
(e) Laundry soap (small manufacturer).

## Problem 934

Meeting Competition of Inferion Goods
The Lasalle Manufacturing Company, of Chicago and New York, leading manufacturers of work shirts, have found that during the past year there has been a growing tendency for jobbers handling their lines to handle job-lot, broken merchandise selling at much lower than their prices and sold upon the basis purely of price and not upon quality. Jobbers in the past 10 or 15 years have built up the trade in the better grade of work shirts.

The Lasalle Company's product is sold on the quality basis, and it is impossible for the company to meet the prices which are being quoted on many of the
job-lots of inferior goods now offered by manufacturers who are not adrertising a trade-marked line of work shirts. More specifically, the Lasialle Company finds that its sales are falling off, in spite of the fact that every advantage in reduction of raw material and labor has been passed on to the jobber.

Several suggestions are offered:
(a) Revision of prices involving losses which cannot be continued for more than a few months.
(b) Producing inferior garments to meet prices.
(c) Increasing sales efforts, probably at increased selling costs.

## Question

Which, if any, should be adopted?

Problea 935
Wholesale Grofers and Competition of Chain Stores
The secretary of a state wholesale grocers' association issued a circular letter to members of the association advocating the plan of establishment of chain stores by wholesale grocers. The claim is made that the chain store does not supplant the wholesaler for the less desirable element of foodstuffs distribution. The circular letter, as quoted from the Journal of Commerce, is as follows:

Leaving atl other clamed savings out of consideration, let us study the chain store from the viewpoint of whether the chain store has effected a saving in the distribution of foodstuff: by the substitution of its method of doing business for the older method of the wholesale grocer. An examination of this will absolutely prove that it has not.

The wholesale grocer uses salesmen to call on his customers. The chain store has climinated salesmen, but has
substituted in plater of this expense the store inspector. There maty be a fratedonal saring here, but it is fractional on the folmme of hasiness and is ahost insignifieant.

The what store has redneed none of the other expense incident to the wholesale growery business, and has the same overhead that the wholesalde grooer has in serving entirely its io to 1.00 or more rastomers (its brameln store) that the wholesalde groere hate in patty supplying his 500 to 1000 or more alostomers.

The jobber has bat debts, which hase lately been quite a disculueting item, while agamst this the chain store has the expense of a store which it operates mprofitably and perhaps has to close, and the chanere of thefts by its employees and others in it bramehes.

Where then is the saving.' It lies in the retail end of the operation entirely. It lies in the elimination of the credit risk, the elimination in many instances, of all service and in placing stomes only in thickly populated centers, thereby not having to average profitable business against less profitable. For, it must be remembered, that ehain stores do not serve all the people, but only a part; that no system hats yot heen devised which can operate suceessfully where the population is wer sarse. With our older method of distribution it was necesary for the wholesale grocer to charge, conscionsly or anconseionsly, a percentage of the eost of doing business in the less populeus territory against the eost of doing husinesis in the territory with the larger population.

We have, therofore, ratched the point where we find the large part of the suceres of the chain store-the large part of the saving of the chatin store-is for the benefit of the people in the congested sections at the expense of the people in the thinly populated areas. If we are to continue under the present mothod-making no radieal changes to meet there conditions-then the wholesale grocer of the future, and the near future at that, will be largely dependent on the country for his business, and the country will have to pay exeresively for this sorviee becalase of the reduced volume amb hecanse the eity dwellers are getting the benefit of the higher priese in the comitry.

But this is not right, and there must be some method to overemme it.

After giving the matter our best thought, and after studying it from all angles, we see only one solutionprovided the chain store is to beeome a recognized factor in distribution of food stuffs, and is to receive the buying privileges it demands-to eliminate the abuses of the present
system, and save the country folk from having to pay exorbitant prices for their supplies.

We do not say that our solution which is built on the hypothesis that we assmmed at the begimning is the correct one, but after much thought it is to us the most logical that we can find to enable the wholesale grocer to continue serving the people as he has in the past.

The chain store's weakness is in spreating out. As long as it confines its operations to one city, moler its present special privilege, it is almost imprognable, provided, of course, it is well managed.

In their anxiety to do a larger and larger volume, in their anxiety to control the whole situation, many chain stores are opening branches further and further away from their bases and each branch instead of strengthening is weakening their organization.

The logical operators of chain stores are our present wholesale grocers. They should continue to be wholesale grocers, not chain stores, but should have chain stores in their own home markets. They then rould continue to get their volume in their home market, and this volume would be certain, on a profitable basis, while at the same time, because of this volume at home they would be enabled to fulfill their obligation to society loy serving the country even better than before.

The country would not have to pay exorbitantly for the city's privilege of having the chain store, and the wholesale grocers' present plants, with all their machinery for handling this class of business, would be amply sufficient to handle it in this way.

There are many savings which would come to the wholesale grocer by his making this change. His trucking expense could be greatly reduced, as he would know exactly where his trucks would have to go earh day, and he could adopt "sidewalk delivery" to his own stores. His buying powers would be greater, and his outlet for selling his stock would be much improved, as it is a fact that goods displayed in the retail store are half sold. His turnover would be greatly increased, and in many other ways he would reap a benefit.

To us, therefore-granting the chain store, with special privilege has come to stay-the logical and only method of working for the best interest of the public seems to be that the wholesale grocer should own and operate a system of chain stores in his home market, if it is large cmongh to justify it, and at the same time continue to serve his other customers to better advantage than before.

The stuat Wholesale（irocery Company，located in Phitadelphia，was fomded in istio．During the cen－ tury or more of its existemes there has ahways been a member of the original family at the head of the busi－ ness．The company buys from more than 500 pro－ ducers and manfacturess，hats a private brand in which the guality has been constantly maintained．About $10^{\prime}$ ，of it－goods are imported，particularly teas，coffees， spices，and cortain fander groceries．The business in 1920 was $83,500,000$ ．There are three branches in the larger johbing conters in the vicinity of Philadelphia． The company sells to about 3 ， 5 of retail grocers．It has been very much opposed to price－coutting．

Recently the members of the firm have viewed with growing alam the very widespered development of the chain－store grocery husines in Philadelphia．They realize that there is probably no dity in the eountry in which chain stores do a larger proportion of the eity＇s grocery businces．These and other chains have ex－ tended to smaller cities and even to the towns in which many of the eustomers of the wholesaler reside．Fur－ thermore，the company finds that independent grocers are combining in cooperative buying organizations with the intention of going direct to the manufacturer and eliminating the wholealer．One association of grocers has a eentral warehouse and purehases are made from manufacturers in lote sufficiently large to give them jobbing prices．While the policy of the Stuart Com－ pany has adway been conservative with respect to ammal increase in volume of business，the company fears the prospects of decline in sale due to the newer forms of competition．

## Question

Should the Ntuart（＇ompany estal）ish retail stores as a means of meeting competitors？

Probleay 936
Retaining Dealer Good Whal Wiaen Reducing Priels
During the first week in March, 1921, the Columbia Graphophone Company used large advertising space in daily papers of various cities of the country to advertise a reduction in prices of the various models. The reductions were as follows:

| Models | Present Prices | New Prices |
| :---: | :---: | :---: |
| \#101 | $\$ 275.00$ | $\$ 175.00$ |
| \#102 | 225.00 | 150.00 |
| \#103 | 165.00 | 140.00 |
| \#104 | 150.00 | 125.00 |
| \#105 | 140.00 | 100.00 |
| \#106 | 125.00 | 75.00 |
| \#107 | 75.00 | 60.00 |
| \#108 | 50.00 | 45.00 |
| \#109 | 32.50 | 30.00 |

## Questions

1. Assuming that the company does not adopt the policy of protecting dealers from loss on stocks on hand when price reduction was announced, what arguments should the company use to persuade dealers to continue to push the product?
2. Write a letter to the dealers explaining reasons for new prices in an attempt to retain the good will of dealers during period of readjustment.
3. If adjustments are to be made, how should they be handled?

Prombem 937
Meeting (ompethton of Cooperative Producing Orionithation
During 1920 it was amomed that the United Brotherhood of Maintenance of Way Employees and Shop Laborers had purchased the canvas glove factory of Bacon Brothers, at Toledo, Ohio, and had turned its entire facilities to the making of work gloves for the members of this railway union. Factories are already operated by the Brotherhood in two Michigan cities, where overalls, underwear, gloves and hosiery are made to sell to members at cost. A saving of $35 \%$ to 60 , over prevailing prices is clamed. In gloves alone these factorios will have a productive capacity of 24,000,000 pairs per year.

Members of other brotherhoods are also permitted to purchase from the union-owned factories. Cooperative factory-made goods are sold to members through mailorder retail stores.

## Question

What steps, if any, should a canvas glove manufacturer take to meet this competition?

## Problem 938

Melating Competition of Substitutes
The American Laundry Machinery Company manufactures a complete line of machinery for installation in steam laundries. The activity of manufacturers of electric wathing-machines for the home has resulted in increasing the amount of washing done at home.

## Question

What should the company do?

## Problem 239

## Broken Package Room

The Federal Wholesale Grocery Company, located in New York City, had amual sales amounting to approximately $\$ 7,000,000$ in 1920. The Company's operating expenses for that year were $8.5 \%$ of net sales and the gross profit $9 \%$. The company did a large volume of business in staple and medium-priced grocerics. Its sales had been confined to three main groups of customers; local retailers, retailers in many parts of the United States outside of the local districts, and hotels, steamships, and institutions.

Although during the 10 years previous the sales of this company had heavily increased, the sales to local retailers, which in 1920 amounted to about one-fourth of the total business, had increased only in proportion to the increase in prices. In other words, the physical volume of sales to local retailers had remained practically constant.

In the opinion of Mr. John Barber, the sales manager, the best prospects during 1921 and succeeding years for increasing sales lay in developing the trade with the local retailers. Although the sales to outside retailers had shown greater increase, he considered that the limit had nearly been reached for such sales, as freight rates constituted a scrious obstacle in selling to the retailers outside of the local district. The competition for the hotel, steamship, and institution trade had become extremely keen, and Mr. Barber did not think it possible for the company to expand this trade at a rapid rate. His sales to this group amounted to approximately $50 \%$ of the total sales of the company.

Numerous unit stores had been opened in the local territory of the Federal Wholesale Cirocery Company, and some of the local merchants had opened branch stores. Mr. Barber's selling organization had not made any specific drive on many of the financially sound retail stores in the local territory.

On investigating the possibilities of developing the local trade Mr. Barber found that one of his com-
petitors, who did a large local business, operated a broken package room. 'This competitor's volume of sales was slightly less than s3,000,000) a year.

Later Mr. Barber leamed that the Harvard Bureau of Business Research had made a preliminary investigation of broken package rooms. The following report was published in one of its bulletins:
sownty-one wholerale groere sated that they had a broken package room. Tiwenty-nine stated that they did not have a hreken package room. The firms reporting that they were not operating a broken parkage rom generally had a whme of sales leos than $\$ 1,000,000$ in 1919 . Threefourth: of the firms that were operating a broken package rom, on the other hand, had salde of more than $\$ 1,000,000$ each in 1919. The expense for wase of receciving, handling, and shipping fore was slightly higher in the case of firms operating a broken package room than for those firms that did not follow this policy. The difference in total receiving, handling, and shipping expense between these two groups was about one-fourth of one per rent of net sales. The number of employees in a broken package room was generally one of two. The largest mumber was twenty-one, but only two firms: had more than five carth.

A comparison of the rate of stock-turn in these two gromps of husineses was made, but it did not show conclusively that there is a substantial difference in the rate of stock-t urn whether or not a broken package room is operated. Numerous firm: operating a broken package room had a high rate of stock-tum, and it appeare that other policies of management have more to do with the rate of stock-turn than the poliey towad a brokem package room.

## Question

Should Mr. Barber have installed a broken package room in order to increase his sales in the local territory?

## Problea 940

Disposition of Suriplets Stocks
(a) The Stratton Company has its own chain of jobbing branches dealing with retailers. The company's plan of operation calls for canvas footwear stock on September 1 in these branches to be $\$ 500,000$. This is scheduled as the date of price change. Further, fall shipments to dealers are customarily made at this time on the basis of orders taken carlier in the year. If shipments are not made soon after September 1, they must usually be held over until February of the following year. At this time, the indications are that the change in price on September 1 will be in the direction of a reduction of from 15 to $20 \%$. Knowing this, retailers tend to buy from hand to mouth in the six weeks preceding; inventory August 1 shows an increase due to delayed purchasing.

## Questions

1. What should the company do to dispose of this large stock of canvas footwear, which might be left in its branch warehouses?
2. To sell at a reduced price would tend to demoralize the market. Should they carry the goods over, taking the decline in value and assuming carrying charges?
(b) In the factory-made clothing industry there is also a very important problem commected with goods left in the hands of the manufacturer at the end of the season. If the manufacturer has misjudged the style trend as to fabric or cut, he may find himself with a large stock at the end of the season, which it is necessary for him to dispose of as quickly as possible in order to
aroid still hager loses. Likewise, the stock of left-over goods is increased by cancelations and returns, which seem to have been a peremial afflietion of the clothing manufacturer. Nost mambacturers are compelled to work off these lefteovers (or what threaten to be leftovers) ley selling through the regular season and as early in the seatom as possible. Wherever it is the judgment of the manufacture that styles will be repeated during the coming seasom, left-overs are earied over and sold at prevailing prices during the following season. Shipping goods on consigment is one method of disposing. of left-overs. The eustomer is requested to accept the shipment, sell as much as possible, and return to the factory such goods as camot be disposed of. Sometimes a minimum price is fixed below which no goods may be sold. Jobbers, mail-order houses, and certain stores in almost every city make a practice of buying large quantities of left-over stock at the end of the season. Department stores are said to be generally in the market, but demand reduced prices. Such purchases are made the basis of end-of-the-season sales, particulaly where normal stocks of the retail concern are much depleted. Left-over goods must usually be sold at a considerable sacrifice, varying from one-third to onc-half below established prices.

## Questions

1. Is consigmment the only solution?
2. Is it possible to avoid left-overs?

## Problem 241

Auction Method of Disposing of Surplus Stocks
In February, 1921, Smith \& ('ompany, as selling agents and controlling factors in the Amherst Mills, which manufacture hosiery exclusively, found themselves with a surplus of some 5,000 cases of first-quality goods, each ease containing 30 to 60 dozen 2 -thread lisle and mercerized hosiery, both men's and women's. It was proposed that an auction be arranged to dispose of this stock. As far as possible financial loss is concerned, the company feels able to stand it.

## Qucstions

1. Under the circumstances, is an auction advisable from the view-point of retaining good will of present distributors?
2. If an auction should be decided upon, what eredit terms should be granted?

## Problem 942

Follow-Up Letters to Correlate Advertising and Personal Salesminsihip
The Harrison Company for many years manufactured a well-known line of toilet preparations, of which a trade-marked face powder has been advertised in the past and is in demand particularly among older women. Through competition the price of this powder, supposed to be 25 cents, was driven down $t 015$ cents. It was felt that national advertising was necessary to create demand among young women, but that advertising directed specifically to this powder would not help the price-cutting situation.

Consoguenty, the company started to advertise a new brand in a more expensive powder selling for 50 cents. With a comparatively small appropriation, together with a strong quality appeal in cops, national distribution was achered in less than a year. Likewise, as was hoped, the new powder helped the sale of the old and pushed up its price.

Although the concern has a corps of salesmen calling upon retailers, all orders are credited to jobbers and goods are distributed through the latter. One of the prime functions of the salesman is to drive home to the dealer the value of the empany's advertising. Salesmen are provided with a portfolio containing reproductions of the advertisements to present to dealers, and less comprehemsive portfolios have been mailed to the trade all over the country.

The sales manager feels that the efforts of salesmen should be backed up by a mail campaign and has decided that three follow-up letters should be written after portfolios have been mailed. It seems to him that the letters should contain reference to the following points: adrantages of new powder, its profits, how advertising helps, offer of glass sign, statement as to doubling of advertising campaign, ete.

## Question

Prepare three letters which might be used for this purpose.

## Problem 243

Methods of Avoiding Loss from Obsolescence
The Holden Graphophone Company, of Cleveland, Ohio, is a large manufacturer and distributor of graphophones and graphophone records. This company specializes on the records of popular music; approximately $85 \%$ of its records are of this type. The records are distributed through a group of selected, exclusive agents. It is the policy of the company to induce agents, insofar as it is legally possible, to maintain a standard resale price. Inasmuch as the distribution is through exclusive dealers, such a policy has been successfully carried out.

The life of any popular piece of music is comparatively short; after the public demand for a popular song has died out, it is very difficult to dispose of a record bearing that piece.

## Questions

1. What measures should be taken by the Holden Company to protect dealers from loss from obsolete records?
2. What measures could be taken to prevent the loss incurred from the production of records beyond the public demand?

## Probidem 9．4．

## （＇lams AND MALOWANCES＊

It happens not infrequently that goods are lost or damaned in transit between jobber or manmafacturer and rotaller．（＇aims for such loss or damage are nsually made in three ways：
（1）Customers make their own clams，furnishing all necessary papers and carrying on correspondence independently；
（2）The jobler or manufacturer furnishes all neces－ sary papers，carries on the correspondence，and files the claim for the customers＇account without，however， arediting the customer＇s ledger aceount；
（3）The jobber makes the elaim for his own account， crediting the customer＇s ledger account with the loss or damage clamed；under such a plan the duty of the customer does not extend beyond having the freight receipt provided with a notation＂In bad order，＂ signed by the local agent．

In the wholesale grocery business，the custom of having the customer handle the entire transaction himself is uncommon，because for various reasons it． has become the custom in certain parts of the country for grocery wholesalers to handle all the details for the retail customer and frequently to credit the retailer＇s account upon presentation of the claim and freight receipt with notation．The following are typical opinions on this poliey：

A large western grocery concern：
We have for many years performed this service for our rustomers and do not believe it is very burdensome．In fact，we look upon it as a necessary part of the service which the wholevaler must do for the retailer，principally because we are so much better equipped to handle this work than the retailer．

[^24]
## A South Dakota wholesaler:

All jobbers no doubt will acknowledge that it is a burden to make clams for the retail grocer, but I camot see how they can get away from it. 'The average retal grocer is not prepared to file his claim; and, if he does file it, he keeps no record. The retail grocer, as a rule, needs help and this is one of the ways the jobber can assist him.

## A New Orleans jobber:

We consider this practice expensive and burdensome to wholesalers. We ourselves are actively doing it, not withstanding the fact that we have been trying for the past eighteen months to get away from it. The retail trade has been educated to the fact hy inferior salesmen that they need not pay for goork lost in transit. Of course, if the wholesaler intends to keep the good will of his customers, he must necessarily file a clam for his account for selfprotection.

## A Michigan company:

We discontinued this practice two years ago. We found it cansed considerable work in our office, tied up more or less money in our book accounts, as our customers expected credit when they filed claims and would not wait for the raiload company to remburs us. We had several claims returned because the goods had subsequently been delivered. We also felt that, if the costomer gave his own claim, it would give him a better conception of what transportation is. At first, we had some trouble, but as all jobbers in Michigan have taken the same stand this is now arcepted as a part of the retailer's responsibility and has worked out to the advantage of all concerned.

An Iowa wholesale grocer:
I will admit that filing claims for customers is somewhat burdensome. However, we have tried it hoth ways. The jobbers in our section tried to eliminate this practice, but found that the troubles and amoyances were so great and added so much more to the retailer's tronbles that we went back to the filing of these clams and making the adjustments aceordingly with the retailers interested.

A St. Louis jobber:
Filing elams is one of the greatest annoyances that has erept into wholesale grocery businesis. We do not think it can be remedied, as wholesate grocers in general are not always honest toward one another. If we should agree to
（alt this out，there are a few who would do otherwise in order to obtainal abstomer．

Another wholesaler：
In our oprinion，the practiere of filing mams for retalers is wrong in princople．However，for a gool many years we have berem domg this．Rolat grocers in small towns do not serm to monder－tand how to fite rlams，exen thongh they are told，and it is murd better for jobbers to file these claims in their wwo oflices than to have rastomers hold up elaims on shortagrs．For this reasom，wr insist upon our traveling men getting freight bills with proper shortage notices Whenever bills are shot of rath dustomers in bad order． Then the aeromats are eredited and the clatme filed．

## Questions

1．What police should a manufacturer of breakfast food adopt with reference to claims for shortage？

2．In＂ase of drop shipments sold direet＂．

## Problem 245

Customer Relatioxsimp－Cancelations
The Dundee Company manufactures a complete line of tags，fancy boses，and paper specialties．Mr． Aschmidt，a jewcler，has for years been a small customer of the company：In $\Lambda_{\text {pril }}$ 1921，he placed an order for $\$ 100$ worth of jewelry boxes．The order called for the printing of the customer＇s name in gilt letters on the covers of the boxes，both inside and out．Mr． sehmidt was promised delivery the middle of May， but through some difficulty the boxes were not shipped until the first week in June．On June 20，the sales manager reepised a letter from the customer in which he expresed great displeasure at the way he had been treated，and stated that he had sent the boxes back．

At the same time, the sales manager received notice from the receiving room that the shipment had come back and was awaiting his action.

The policy of the Dundee Company is to accept no cancelation except in those cases in which the merchandise is not satisfactory or the company is clearly at fault.

## Question

What should the sales manager do in this case?

## Problem 246

Customer Relationshif-Cancelations
J. F. Jones, a hardware wholesaler, has been a steady customer of the Londes Company, manufacturers of tags and paper specialties, for a number of years, though his purchases have never been large. In June, 1921, he placed an order with a salesman for about $\$ 75$ worth of merchandise. Included in the order was an item for 1,000 shipping labels. These were a gummed label bearing Mr. Jones' name. They were listed in the catalog and sold on this order at $\$ 8$ a thousand.

In making up the order the company made a mistake and printed 2,000 labels, which were billed and shipped to the customer. Immediately the management reccived notice from Mr. Jones that more labels had been shipped than were ordered. Furthermore, he found that he could get labels which would suit his purpose from a competitor of the Londes Company for $\$ 2.25$ a thousand. He expressed the opinion that he was being overcharged and said that he would return the labels unless the company was willing to give him
the same price as the competitor. In this case he would take the 2,000 labels.
'The policy of the Londes Company has been to accept no cancelations except in those cases in which the fault lies with the company. It has been successful in closely adhering to this program and has been able to hold the good will of its customers.

## Question

What should the sates manager do?

Problem 247

## Relations with Competitors

(a) Two mamufacturing drug concerns have adopted different plans of selling their goods. Wood, Durand \& Company sell through their own salesmen both to large retailers and to jobbers. On the other hand, the Davis \& Cox Company, a firm almost as large, sells only to selected jobbers, but it maintains a sales force of about 300 men to call upon medical men and retailers in order to stimulate the sale of the company's products. Every salesman of the Davis \& Cox Company must be either a graduate physician or a registered pharmacist.

## Questions

(1) Assuming selling costs of the two firms to be approximately equal, which is the hetter method?
(2) What arguments can the Davis of Cox Company offer the retailer, who would rather deal directly with the manufacturer, when he finds that he must order through the jobber?
(b) One of the customers of the Davis \& Cox Company is the Jones Wholesale Drug Company. The standard of compensation of the Davis \& Cox Company for its trade salesmen is slightly higher than that of the Jones Company for those salesmen who call on the same trade. The star salesman of the Jones Company applied in writing to the Davis \& Cox Company for a position as salesman.

## Questions

1. What should be the reply of the latter?
2. Under what circumstances, if any, should the manager of the company consider the application?
3. If it should consider the application, what attitude should be taken toward advising the Jones Company of its intentions?

## Problem 248

## Coordination of Sales and Production

The Penn Paper Box Company is located in one of the suburbs of Philadelphia. Its product consists almost entirely of small cardboard boxes used as containers for various kinds of package goods. For example, among its products at the present time are candy boxes, soap containers, packages for tea and coffee, and boxes of various sizes for different kinds of dry-goods. Because of the bulk of made-up boxes the market is restricted to local territory. The company is one of the largest in its section; at full production about 200 workmen are employed, while sates average about $\$ 400,000$ a year.

The sales are in charge of the president. Two salesmen are employed. These men give little or no time
to actual solicitime on their own initiative, but interview a prospertive enstomer only when the latter has called for a hid on a erotain trpe of box. Sinor such boxes are made for as sereife produre, and are eovered with the ("nstomers wrapper, the Pemn ('ompany camot mamblature for stock in dull times, for there is no stambard product. Tha present arrangement has made it diflicalt for the sales depsutment to furnish a uniform and a comtimons volmme of orders for the production department. In fact, thotuations through the year have been very marked; at times the factory has been rushed with orders that it coould not fill; at other times the plant has had to run on part time for lack of work.

## (unestion

What measures should the sales department take to insure more eontimous proturdion".

## Problem 249

Sales Prictices
The traveling salesmen of St. Lonis have formed an association, the object of which is stated as follows:
(1) To stop the pernicious custom of jobbing houses offering $\boldsymbol{z}^{\prime}$; rebate on specialty orders;
(2) 'To keep) a dowe check on mamufacturers selling chatinstores:
(3) To insist mpon specialty salesmen putting a price upon all sperialty orders;
(4) ' To force specialty salesmen to allow orders to fall as they will, without suggestions on their part as to the jobber.

## Questions

1. Should a manufacturer of food products using specialty salesmen to develop retail trade encourage the continuation of the association on the basis of its declared purposes?
2. Should a wholesale grocer advise his salesmen to become members?

## Problem 950 <br> Unfair Trade Practices

The sales Managers' Bureau of the St. Louis C'hamber of Commerce, in a letter to members on the subject of the "menace of collective buying," states that the following practices result in destructive and demoralized trade conditions:
(1) Cut prices.
(2) Buying power stating the price.
(3) Syndicate and purchasing company buying.
(4) Split shipments.
(5) Non-kindred buying.
(6) Consignments to consumers.
(7) Guarantee against price decline.

It is recommended that manufacturers, jobbers and dealers adhere rigidly to legitimate distribution as that term is known and understood in each industry.

## Question

What problems confront the sales manager in connection with the practices enumerated?

Problam 251
I'Neahr Trade Practices
One of the aretivities of the Federal Trade ('ommission is the enforeoment of the provisions of the Clayton and Sherman , ots with respert to mafair trade practices. Many, if mot most, of thase practices have to do with sales artivitios. The following are activities concerning which (omplaints have been brought before the Ferleral Trade ('ommission.

Against an oil fompany:
Stifling and suppresing competition in the manufacture and sale of lubrieants, etce, by price discrimination and by fixing its sales price or rebate on the condition that the purchaser shall not use the goods of competitors.

Against a biscuit company:
Stifling and suppressing competition in certain bakery products by means of a system of rebates and discounts calculated to catuse the trade to purchase its goods either largely or exclusively and by making contracts with advertising agencies which tend to stifle and suppress competition.

Igainst a mailing-tleviee corporation:
Stifling and suppressing competition of its sole and only competitor, the X ('ompans, in the manufacture and sale of its product in interstate commerce by selling its products at and for a price which is less than the cost of selling and producing the same.

Sgainst a toy manufacturer:
Unfair mothorls of competition in the sale of $X$ mechanical toys by vague and indefinite threats, not made ingood faith, to institute legal proceedingsagainst their competitor's customers for alleged unfair and malawful competition with the $X$ outfits and books of instruction.

Against a company manufacturing several models of vacuum-cleaning machines:
Stifling and suppressing competition in the manufacture, marketing, selling and reselling of its vacuumcleaning machines by fixing the standard resale prices and refusing to sell to those who fail to maintain such prices, price fixing or establishing discounts or rebates on condition that the purchaser shall not deal in the goods of competitors, the effect of which is to substantially lessen competition and to tend to create a monopoly.
Against a lumber company:
Engaging in a combination to suppress competition in the lumber and building-material trade with the purpose of driving mail-order houses out of the retail lumber business and forcing consumers to purchase supplies of lumber from local dealers and carried out by procuring manufacturers to discontinue furnishing information to competitors, by stealing trade secrets, spying upon the business of competitors, submitting to them bogus and spurious inquiries for estimates, quotations, and other printed matter relating to the use of lumber.
Against the Wholesale saddlery Association of the United States and the National Harness Manufacturing Association of the United States:
Engaging in a combination and conspiracy to discourage and suppress competition in the wholesale harness and saddlery trade by unfair hampering and of certain competitors not members of the Wholesale Saddlery Association, by inducing manufacturers of saddlery accessories to refuse to recognize such competitors as legitimate jobbers or wholesalers entitled to jobbers' or wholesalers' discounts and terms.

## Against a packing company:

Using the following unfair methods of competition: fixing a schedule of resale prices for a cleansing preparation and enforcing maintenance thereof by means of
agreements with johbers and wholesalers and threats to discontinue selling its products to johbers failing to maintain resale prices thereof: by eelling at lower prices to johbers and wholesaters mantaining resale prices; hy procuring johbers and wholesalers to refrain from selling its product to other johbers and wholesalers failing to maintain the resale prices thereof; and bydiverting the sale of the trade-marked deansing preparation from retailers and johbers faling to maintain the resale price.

Against a (hicago mamfacturer:
Attempting to lesen competition and create a monopoly by selling and contracting to sell sheepclipping and horse-shearing machines bey ageement on the part of purchasers not to deal in similar products manufactured by competitors of respondent.

Against a paint concern:
l'sing an unfair method of competition in the sale of varnish and kimdred products, consisting in giving gratuities of different kinds, including sums of money to the emploves of customers and prospective customers and the customers and prospective customers of competitors as an inducement to influence their employees to purchase respondent's product and to refrain from purchasing those of respondent's competitors.

Against the manufacturer of a brand of linoleum:
Using an unfair method of competition in the sale of floor covering hy representing to the public a certain product composed of felt base. impregnated with asphaltum and painted to represent linoleum.

Against a coffee concern:
Using an unfair method of eompetition in the sale of coffee and tea: namely, offering as inducement to purchase respondent's products certain coupons redeemable in prizes and premiums distributed according to lot.

Against a rubber company:
Stifling and suppressing competition in the sale of automobile tires by fixing and maint aining resale prices, requiring dealers to maintain such prices, and refusing to sell to those who will not maintain such resale prices, falsely that it furnishes certain unique services which are such as are ordinarily furnished by retail dealers, compelling dealers to carry excessive stocks, refusing to allow dealers to make adjustments on unsatisfactory tires, requiring dealers (who also handle automobiles) to specify X tires on all automobiles, motor trucks, and motor cycles ordered by them, requiring dealers to permit respondent to make inventories of all tires handled by such dealers, compelling dealers to refrain from competitors' tires as substitutes for respondent's when such dealers are unable to furnish sizes of respondent's tires requested, selling tire-applying machines to dealers, but restricting use of them to correspondent's tires, selling consumers direct at the same price as dealers when such consumers will agree to use respondent's tires exclusively, selling its products on the condition, agreement, or understanding that the purchaser shall not use or deal in the goods of a competitor.

## Questions

1. Assuming that the facts bear out complaints in each case, what should be the attitude of the sales manager toward each practice on the basis of business expediency?
2. Does long-rum development of the business require any change in this attitude?
3. Which of the above practices are clearly detrimental to both the public and to business in general?
4. Which practices can be considered of doubtful value from the view-point of the sales manager?

## PART VI

## SALES OPERATIONS- <br> MANAGEMENT OF SALES FORCE

## PART VI

## SALES OPERATIONSMANAGEMENT OF SALES FORCE

## OUTLINE

A. Training of Sales Force.

1. Advantages and disadvantages of spectialized training of salesmen.
2. Factory training versus special-school training.
3. Requirements for training and lengthe of course for specifie products.
t. Organization of coures and financing of instruction.
B. Compencation of sales Force.
4. Various plans of compensation.
5. Applicability of salary plans to different types of business.
6. Advantages and shortcomings of commission payment.
7. Ralary-plus-commission plans.
8. Bonus, profit-sharing, and other plans.
C. Management and superyision of silles Foree.
9. Equipment.
(a) Portfolios, samples, models.
(b) Automotiles; supervision.
(c) Other equipment.
10. Supervision and ('ontrol.
(11) Reports of salesmen, types of reports; methods of handing; action required.
(b) Reports of field mamagers and of distriet and branch managers: nature of reports, treatment, and adtion required.
(c) Expenses accounts; policy and methods of supervision.
11. (ooperation of sales department with sales foree.
(a) Methork of rooperation with salesmen in fichl.
(b) Sombing rooperation of salasmen in adsertising.
(e) Fermbing roopreation of satermen in use amel distribution of dealer helps.

12. Stimulation of sales forere.
(a) Reasoms for sperial methods of sales stimnlation.
(h) Filk conterts: allantages and disadvanlamo.
(1) Methods of organizing.
(2) Typlical salles combests.
(c) Sales comventions.
(1) ('ost and bomofits.
(2) Organization of sales conventions.
(3) 'Typical sales conventions.
(d) Prizes, bomwes, and other mothods of sales stimblation.

## GENERAL QUESTIONS*

A. Training of Sales Foree.

Should a coneem hire experienced or inexperienced salesmen? Is traming necessary for experienced salesmen, provided (a) they have sold smilar lines; (b) they have been engaged selling different lines, but reaching the same elass of dealers? What are the advantages and disadvantages of hiring untrained salesmen? How should salesmen be trained? Under what conditions is it advisable to establish a sperial school for training salesmen? What are the alvantages and disadvantages of the types of traming used by representative concerns? What are the reguirements for a suceessful training course? In what matters should instruction be given? What shomld be the length of the commer". How should candidates bo selected?" What arangements should be made as to payment of candidates during the period of instruction? How should courses be financed? Should training rombes be open to old salesmen as well as to new recouits to the sales force? Should concerns with national sales organizations attempt to bring salesmen to the mamufacturing plant or should separate sales schools be held in separate sales distriets?

## B. Compensation of Sales Force.

What are the advantages and disadvantages of the various methods of compensation for salesmen now in use, such as salary, salary and commission, salary and bonus, pure commission, and others? To what extent is the selection of plan for payment of salary dependent (a) upon the customs of other firms in the same line; (b) upon the nature of the business; (c) upon the financial resources of individual concerns; (d) upon the character of the salesmen? Under what conditions is the salary plan of compensation practical? When should the pure commission method be used? To what extent are bonus, profit-sharing, and other plans successful as a means of securing the best efforts of salesmen?

## C. Management and Supervision of Sales Force.

When should salesmen be provided with automobiles? What methods should be used to supervise the use of automobiles by sales force?
How is the selling equipment of salesmen determined? What experience should govern the selection and preparation of samples, models, portfolios, and other equipment, for salesmen?
What reports should be required of salesmen? To whom should such reports be sent? How should they be handled at headquarters? What reports should be made by field managers, by district managers, and by sales managers?
How should expense accounts be supervised? Should the company act liberally in granting expense accounts or limit expense items carcfully? Should the method of compensation be so designed that expenses are borne by the salesmen themselves?
Why must methods be devised for cooperation of sales department with salesmen in the field? What is the value of the usual methods of contact, such as sales letters, house organs? How shouk the cooperation of salesmen be secured in connection with advertising carried on by the company? In what way can salesmen be induced to be of service in securing the distribution and use of dealer helps?
Should sales contests be used? What are the requirements for successful sales contests? How should sales contests be organized so as to secure the interest of all
members of the sales forere? In conducting contests or remarding epereial elforts, what should be the nature of prizos or homeses offored?
What shombl te the attitude of the eompany toward *ates monformoses. should satesmen be eneouraged to visit the main ofliee at freguent intervals". When should semeral comventions of satremen be held? Under what comditions is it advisable to bold district or smaller conferemees, in tien of mational sales conventions? How should sales combentions he plamed?*

## Problam 95s

## 

Every drpartment of a business organization is confronted with problems of selection of persomel and their tatining for specialized daties in the organzation. Teehnical sidmols, frade schools, appronticeship, systems are of assistanco partimatrly to the manufaturing executive. In selling departments, while business traming has in the past bern avalabla and of great assistance to exeretives, in pratetically arery aso a concern must provide for detailed traming in the policies and methods of the partieular concern. This may be secured gradually through experience and ohservation while engaged in the performance of assigned dhties, hat in other rases the employe is (expereted to absorl) as much as he needs without specific gutance or traming. ()n the other hand, a considerable

[^25]number of larger enterprises find it advisable and necessary to provide specifically for training, in order that they may be assured of a supply of sufficiently skilled or tramed workers. Special training schools are, therefore, established, some of them providing for training men only in the production departments, others only for sales departments, while a mumber undertake to provide training for both producing and distributing forese.

The Duncan Company manufactures a line of machine tools and gasoline engines, which it sells through an extensive branch office organization direct to factories and users of mill supplies. In addition to the lines it manufactures in its own plants, it handles an extensive line of other types of machines in more general use, such as drill presses and the like, together with a complete line of mill and factory supplies. In the past, salesmen of the company were drawn largely from the factories of the company, but these have been supplemented more and more as the company grew by salesmen who have had experience in allied trades or with competitors and by men taken from technical and trade schools. No formal training has been provided, but new recruits to the sales force are expected to spend a short time in the plants of the company, there to observe how the products are made. While at headquarters they also are given talks by the sales manager and other department executives, each upon the work of his own department. They are then assigned to the various branches, where they spend a few days traveling with one of the older salesmen; after that, they are sent out independently to visit customers and prospects. The vice-president in charge of sales is not at all satisfied with the results obtained by his sales force. While he admits that more care must be taken in selection, he feels that a definite course of training should be arranged. In a report to the president, he advises the establishment of as pecial training school, but states that he is undecided as to the type of school necessary. He has referred the president to a report
of the liffth Smmal C＇omsention of Corporation Schools， of which the firm is a momber．From this he gives the following extract：

Special traming schools are of thre general types：

## Trpe 1 （marany buntris study Courses

The distingushing feature of this plan－the stadent－ emplose surnds all of his time in stodying，not being experted to do ：my prothetise work during the period of traming．It is dresigned lo get dofinite results and get them quickly．

I＇urpose：
（a）To toatrh specific duties and
（b）Fo give at boad kimetredge of the business－ that is，its organization，policios，products and mothorls．
Results：
（a）Emplowes expereted to be hronght to highest efferdiveness in shortest time：
（b）Employees＇fitness for some branch of the busi－ ness diseovored；a broader knowledge makes for more intelligent rooperation，fewer mistakes and more interest in the hasiness．

Characteristic features：
student＇s time entirely non－produrtive；
students are selecterl by the company：
Attendame is compulsory：
Attemdance is on company time；
Students receive paty while taking the course；
bength of course－compamatively short，usually less than six monthe：
students are erouped at or sont to the most con－ fonient plate for instruction；
small gromps，intensive instruction．
Students：
selected be Traming Department，or
Solected by Emplosmont Department and approved
by Traming Department，or
Solected by company officials；
Solected by branch managers．

## Educational methorts：

Definite plan and outline for entire course；
Classroom work—recitations；
Individual conforences with instructor；

Written or oral reports on work;
Written or oral examinations;
Home reading and study;
Observation trips;
Talks by company officials;
Records kept of sucerss in educational work;
Records kept of personal characteristies;
Records kept of success after completion of course;
Full-time instructor;
Specially prepared texts.
Expense:
For teaching sperific duties-rharged to department using employees:
For tearhing business as a whole-charged to general administration;
The principal factor of expense in the order givenstudent salary; supervision salary ; service charges and equipment.

Factors controlling success of this plan:
selection of students;
Definite plans and intensive instruction;
Close supervision;
C'onstant revision of sturly material.

Type 2-Company Bromess-Gtudy and Practice ('OURsen

In this type of traming there is less emphasis on the study side and more on the experience in working departments. The proportion varies a great deal. In some, the time on study work is but a small percentage of the total time, while in others as much as half is spent on the study and instruction work. The student is expected to do some productive work, which is chosen on account of its educational value. In general, these courses are longer than those of the first type.

Purpose:
To give an insight into a business as a whole.
Results:
Employees' fitness for a particular part of the business discovered;
New employecs lay a foundation of useful knowledge upon which they can specialize.
( iives an intimate acquaintance with personnel and plant.
(haracteristie feathers:
Students' time partly productive;
Students are seloeded by the eompany;
Attombane on rolated instrmetion work is compulsory;
Jnstrudton work usually is given on eompany time; Students reerive pay whilde taking the comse;
dength of comse viries fom several monthe to four vears the majority are athont a vear;
Instruetion work is done in gromps;
Varied work assigmments under adotal working ronditions:
(ireat varioty of experiemes in eomparatively short time.

## Sturlemts:

Solectad by Traming Department, or
selected by Employment Department and approved he Traming Dopartmont, or
scleoded hy companty olficiats.

## Educational methods:

Definite plans for entire course
Traming Depatment shifts men to give a variety of experience:
Work aswimmonts dhosen on acoomt of their value as experience;
Order of taking un varions work determined by Training Department;
Reports on work done in various departments;
Outside reading required;
OHsemation trips to related work;
Talks and conferences with instructors and company officials:
Record kept of sureess in educational work and after eompletion of course;
Reports recerivel from departments in which student is working;
Full-time instruction on study work;
supervisor, of experience in working departments; specially prepared texts for study work;
specially prepared work schedule with notes relating work experieneo with study material.

Expense:
Charged to qeneral administration;
Prorated to departmonts using the students permanently;

Portion of salary not earned in departments where students are assigned for experience charged to the training department.

Factors controlling success of this plan:
Selection of students;
Definite plans;
Closely related instruction;
Cooperation of departments in which students are assigned for experience;
Authorized and watehed by high company officials; Careful choice of order in which the work is assigned; Not expecting departments not to retain men to bear cost of giving them experionce.

Type 3-Company Business-Work Courses
This type course omits practically all of the study features of Type 1 and emphasizes the varied work feature of Type 2. In general, the training covers a longer time. The demands of the productive work are the controlling factor.

Purposes:
Opportunity for practical experience;
To maintain a group of trained men from which some may be selected for more responsible work;
To train employees for more versatility in the company's business.
Characteristic features:
Employees' time is expected to be contirely productive;
No time is given at company's expense for related instruction;
Students are selected by the company ;
Students' work entirely similar to that of other employces;
Students are assigned to several departments;
No special supervision is given, except by regular department executive;
Student may continue more or less indefinitely in a department if the production needs demand it.

## Students:

New employees;
Selected by Employment Department.
Educational methods:
Variety of experience by assignments to typical departments;

By observation of mated work;
By questions to fellow-employeer;
By repotilion to gatu skill.
Expense:
Noseparate acoomat kept:
Expense absorterd bey department in which the men work.

Factors controlling suncess of this plan:
sclection of sturlents:
('ooperation of departments in which students work; Artangement- by which student's recpuests for transfers to other work rath be considered.

The following are sperifice examples of the three types taken from the same report.

## 

The tramine work of the Aekresograph (ompany is confined to the traming of salesmen. There are three classes of this sorvice, sates corverpondent, advertising men and branch manager. The eourse of training consists of lectures, stuly of texthook and mammal, class recitations and examinations, the study of actual mathine models and demonstrations. It is the objed of the course to give every new man a clear conerption of the mamer in which business in general is tramsated and a thoromph knowledge of the history of the Addressograph and its application and use in various kinds of business.

## The company

2. Nature of business: Xamufarture and sale of addressing machines and equipment.
3. Graduates of rompany traming eourse asigned to work in: large dity territory, or provincial or district tervitory with headquaters in some city, or rontimuous traveling positions.
4. Average nomber of colleqe men employed each year: 30, not exelusively eollege men.
5. Nature of work after finishing company training: Salesmanship.

## Educational plan

6. Type of traming course: 'Type 1.
7. Training courses given at: Home office in Chicago.
8. Total length of training comrer: Six weeks.
9. Salary during training: No salary, but expenses may be adranced upon request up to $\$ 15$ to $\$ 20$ per week.
10. Principal features of training course: First a thorough mastery of the Addressograph; second, a scientific course in salesmanship; and third, introduction into actual selling under the guidanee of an expert salesman.

## Admission requirements

11. Physical examination required: No.
12. Personal interview required with company representative: Yes.
13. Do company represpatatives visit colleges for interviews: No.
14. Previous education preferred: Business administration from recognized colleges.

## Norton ('ompany

The company operates its main factory at Worecster, with abrasive plants at Niagara Falls and at Chippewa, and mines at Bauxite, Arkansas. It has also a small plant at Wesseling, Gemany. It employs college men in all of its plants except the one at Bauxite and also in sales positions in all parts of the country and in various parts of the European continent. The methor of operating the Norton cylindrical grinding machine is so different that men must be specially trained for the work. The Norton Company education proposes to inchode all activities which make a man more capable of filling his place in the world. The scope, therefore, of the educational department is not limited to definite courses, but special courses are constantly being proposed for men who must be trained for some specific position in a very short time.

## The Company

2. Nature of business: Manufacturing of artificial abrasive and grinding wheels and similar products.
3. Craduates of company training course assigned to work in: Any of the plants of the company except Bauxite.
4. Average number of college men employed each year: 25-30.
5. Nature of work after finishing company training: Salesmanship, research work, enginecring and production.

## Educational Plan

6. Type of training course: Type 2.
7. Training courses given at: Worcester, Mass.
8. Total length of training course: 20 months.
9. Salary during training: Individual agreements.
10. Principal features of training course: The study part of the course is limited to Saturday morning and comsists of lectures and quizzes on the shop or ofliee work done during the week.

## Admission Requirements.

11. Physical examination required"' Yes.
12. Premonal interview required with company represulative". Yos.
13. Do company repremptatives visit colleges for interviows? Yes, in the Eat.
14. Previons education prefered: (iraluation from any terhnimal comrse, but preference is given to those who have had considrable mechanical and electrical experimer as well as shop work.
(ik.aton ani Kinhiht Manchactering Company
The (iraton and Kinght Company are oak leather tanners and makers of leather belts and specialties. New employees usually start in some elerical position. If a man shows a sperial aptitude for hasiness and gives promise of ability, particularly selling ability, he is given a special training course in the shops covering from two to three months. During this course the men actually handle the leather and learn to perform all the operations in the various processes of leather mamfacture. This course continues until they have sufficient practical knowledge to enable them to discuss, the basiness and its processes intelligently and to represent the firm efficiently in outside positions.

## The Company

2. Nature of business: Taming and manufacturing of leather belting, special leather goods and shoe manufacturing supplies.
3. (iraduates of company training course assigned to work in: Cumally at Wiorcester, Mass.
4. Average number of college men employed each year: Two or three.
5. Nature of work after finishing company training: Usually some form of sales work.

## Educational Plan

6. Type of training course: Type 3.
7. Training courses given at: Worcester.
8. Total length of training course: Two or three months.
9. Salary during traning: Regular salary.
10. Principal features of traning course: The selection of those men who show special ability and the intensive training of these select men for sales service.

## Admission Requirements

11. Physical eximmation required? Not usually.
12. Personal interview required with eompany representative? Yes.
13. Do company representatives visit colleges for interviews? No.
14. Previous education preferred: Merhanical engineering, business administration and law are valuable but not essential. General college training for the development of the candidate's mind is considered most important.

## The Westinguouse Electric and Manufacturing Company

The Westinghouse Electric and Manufacturing C'ompany is engaged in the production of electric appliances, machinery and apparatus. Sales departments are maintained in four of the larger cities throughout the country. College men are taken into the company for special training and are assigned to the varions departments, where their work is closely supervised, both in shop and in class, to determine their ability and their adaptability to special kinds of work.

## The Company

2. Nature of business: Manufacturing of eleetrical machinery.
3. Graduates of company training course assigned to work in: East Pittsburgh or at one of the sales agencies.
4. Average number of college men employed carh year: 156.
5. Nature of work after finishing company training: Sales, enginecring design, and research, manufacturing, construction and operating companies.

## Educational Plan

6. Type of training course: 'Types 1 and 2.
7. Training courses given at: Last Pittshurgh, Pemmsylvania.
8. Total length of training course: One year.
9. Salary during traming: Intial: first six months, $\$ 50$ per month; second six months, $\$ 60$ per month.
10. Principal features of training course: Classwork is largely catechisms, examinations and problems. Not lectures.

## . Idmission herquiromonts

11. Physical exambataon required? Yas.
12. Personat intmern requied with company represontative". V"os.
 viows." Y'es.
13. Previons erdacalion perfored: Nochanical or technical enginerering graduation.

## Questions

1. Which plan, if any, should be adopted?
2. Is it advisable to attempt to train men for the sales department and other departments in the same school?

## Problem 253

Training Salesmen
The following ontline of a course for the training of salesmen was submitted by the committee on advertising and solling at the fourth anmual convention of the National Association of Corporation Schools:
I. Purpose:

To furnish the hasis of a course of instruction on the art of salesminship for members, whether manufacturers, wholesalers or retalers.
For 1. Travelers.
(1) Sperialty:
(2) Stiple.

For 2. Counter or floor men.
For 3. Solling agents of various kinds.

1I. Organtzing a School of Instrottlon:

1. Text-books and collateral reading.
2. Instructors.
(1) Aetual experience.
(2) A trained mind.
(3) The teacher's attitude.
3. Methods of instruction.
III. Salegmanghip: Ith Plache in the Fielid of Business:
4. Relation to other phases of busimess.
5. Salesman's dignified work.
6. Opportunities in salesmamship.
7. Importance of selling knowledge to every man in business.
8. Selling as a stepping-stone to sales management and other executive positions.
9. What the salesman has an opportumity to learn.
10. The "salesmen are born, not marle" fallacy refuted.
IV. Bird's-eye View of tife Whole Field of Marketing:
11. Three phases of selling.
12. Traule factors, trade channels and trade relations.
(1) Manufacturers' solling and advertising problems.
(2) Wholesalers' problems.
(3) Retailers' problems.
(t) The chain store.
13. The product, the market, and reaching the market.
14. Merchandising (huying).
ta. Price mantenance.
万. Relation of personal selling to this field.
Y. Divisions of Selling:

Retail selling behind the eounter.
Wholesale staple or spereialty selling.
Where buyer seeks sellor and vice versa.
Single versus repeated sales.
Staple selling.
specialtics selling.
Specialties sometimes gradually become staples.
The branded staple and its selling prohlems.
VI. Definition of a Sale.
VII. Factors in a Sale.

Developments in a sale:

1. Attention.
2. Interest.
3. Desire.
4. Confidener.
5. (lose.

1X. The selacio Process (comtimbed): Preliminary to the interview:

1. Sturlying the prospect.
2. (iathering the information.
3. (intting in to ser the buyer.
4. The actual approach.
X. The selling Procema ( ('matimed):

The interviow:

1. Attention-its mature, methods of securing it, the opening talk.
2. Attention to a varied line.
3. Trunk lines and sample rooms.
4. Aftention in retall selling.
5. Armaging the sample display.
Xl. The selling Procest (rontinued): Interest:
6. The demonstration.
7. Handling intermptions.
XII. The sellifg Process (contimued):

The interview:

1. Ilandling objections.
(1) Antagonism vs. a friendly gettogether.
(2) Cureasoned inhibitions.
(3) Discussing price.
(t) Disconsing competitors' goods.
(5) Minimizing objections.
(6) Anticipating objections.

XIIl. The selbing Process (continued):
The interview:

1. Desire.

Indications.
XIV. The Sblang Process (continued):

The interview:

1. Confidence.

A separate development.
XV. The Selling Process (contimued):

The interview:

1. The close.
(1) The crux of all salesmanship.
(2) Expecting him to buy.
(3) Make decisions and don't expect them.
(4) Closing is not coercing, overselling, nor selling a man something he doesn't want; it is overeoming the habit of indecision.
(5) Courage.
(6) Positive suggestion.
(7) "Decision on a minor point" principle.
(8) "Writing out the order" close.
(9) Closing the retail sale.
(10) Mechanics of closing.
XVI. The Selling Process (continued):
2. Persistence of the right kind.
3. Avoidance of ill humor.
4. Reserve talk and how to use it.
5. The "bill starter."
6. Getting the price.
7. Emphasizing service and quality.
8. "Think it over."
9. Calling back.
XVII. After the Sale:
10. Furnishing buyer helpful details.
11. Right impression at leaving.

3 . Securing cooperation and indorsement.

## XVIII. Human Appeals that Sell:

1. Scientific method used, but selling not a coldly scientific process-a friendly, red-blooded, man-to-man process, where personality and sincerity count.
2. Motives that may be appealed to.
3. Two avenues of appeal.
(1) Logie-to reason-intelleet.
(2) Word pictures-to imagination-emotions.

NiN. Esmextal (didafortons of the Galegmanthe: Develophevt of Permonalty, (habacter and (Ahber:

1. Thomght, study and work; mative ability; health, preparednes: :mbition amd application; observation: two "onwortation: "ouraw": honesty; confidnuer onthesiam: loyally; optimism; imagination; wheation: woiee and apparance; persomality: self-analys amd imprownent.

2. Organizing a territory.
3. Plaming the persomat solling campaign.
4. Soruring and giving cooperation to customers and house.
5. Plaming the day's work.
6. Salesman's time and its lise.
XXI. Pheving the Pbenatation:
7. Picking the solling points.
8. Plaming the sel'ing talk.
9. Plaming the demonstation.
10. Plaming the selling equipment.

XXIf. Retah, seming:

1. Why the mandabemer is interested.
2. The Wooltex course ame principles apply, only methods differ.
3. Instruction in the store methods, store system and store police.
4. Vocabulary and address.
5. Knowledge of line
6. Showing the line.
7. Focusing attention on one article.

8 . (losing the sale on that article.
NXil. Atrbacting the: Buyer's Attention to Goode Other thas Thoce for Which She Came:

1. Handling the "lookep" wo as to turn her into a huyer.
2. Building a dientele.

3. Selling machinery.
4. Selling adrertising agency servief.
5. Selling offie filing equipment.

All specialtics

## Question

What assistance does this give to the sales manager of the Henderson Automobile Accessories Company, planning to sell direct to retailers through a much augmented sales force? The company realizes the need of training the new force quickly.

Problem 254

## Training of Salesmen

(a) A manufacturer, or jobber, well known for the quality of his goods, seeks to place upon the market an article of merchandise which he has not previously manufactured (or handled, if a johber) and, because of the high quality of the article, is obliged to ask a higher price than his competitors are asking.

## Question

How should his salesmen be trained to present this new article of merchandise to the trade?
(b) A manufacturer, or jobber, newly organized and, therefore, unknown, except through the persomel of his executives and employees, or the manufacturer, or jobber, is entering new territory in which he is practically unknown.

## Question

How should his salesmen be trained?
(c) I mamufacturer, or jobber, who has not been celebrated for the high quality of goods which he mamufactures, or handles, amounces a quality line.

## Question

How should his salesmen be trained?

## Problem 95.5

## Dimional $\because$. ('bextraized Training Course for Shlesmes

ln sales organizations where it has been found necessary to decentralize management to a considerable extent, the problem arises as to whether salesmen should be trained in the divisional offices or districts or in the plant or sales headquarters. The SherwinIV illiams C'ompany, which has over 500 sales representatives, divides the United States into nine sales districts each in charge of a district sales manager. Under each district manager there are four or five divisional managers in direct charge of salesmen. In a typical district the district sales manager is in charge of 80 salewmen and is given full responsibility in selection and training of his own men. He personally plans and supervises the educational work for their training, decides what sort of training is necessary, whether much or little, theoretical or practical, whether administered by himself or by others.

The Ronald Company, manufacturing calculating machines, has adopted the other method. Recruits are taken to the central office at the factory, the sales school is conducted at intervals for the purpose of training these men who are selected and sent in by the sales agents in the various territories and returned to them after two weeks' schooling.

## Questions

1. What are the advantages of each plan? The disadvantages?
2. To what extent should the sales manager be influenced in deciding between district and central training by the following factors:
(a) Size of sales districts.
(b) Size of the concern.
(c) Location of sales headquarters and factory.
(d) Type of product.
3. Should salesmen who have been in the field, as well as new men, be admitted to the training courses?

Problem 256
Training of Salesmen
Sixty-five per cent of the salesmen employed by a middle-western firm failed to make good. The general sales manager was at a loss to understand the reason for this high mortality rate.

The company employed only high-grade men, trained them carefully, and sont them forth with best wishes and high hopes. The men failed to stick, however. In a week, two weeks, or a month, they would fall by the wayside, and a new crew would have to be recruited, trained, and sent out to meet the same fate. Only about one man in three stuck to the job and became a really successful salesman for the line.

In the training of the men for selling a high-priced fixture for retail stores, men spent several days at the salesroom maintained by the manufacturer. There
they leamed many of the aldiatates of the product and were shown the reeord of master-salesmen, who had made formmes from the sale of this one product.

## Question

What reasons might be asigned for the disproportionate momber of failures:

## Problema 250 <br> 'TRMNANG: AMESMEN

The following is an outline of the new educational progran of the Buroughs Sdeng Machine Company, as taken from the Burroughs Bulletin late in 1920:

The new program of sales instruction is a positive, deffinte, stambardized course which affeets all members of the Burronghs selling organization. It is being adopted as a permanent plan. It is expected to require approximately one vear to complete. It is a "sturly-as-you-work" program and is not intencled to work at hatehip or place any unreasonable burden on salesmen who are working hard in the field every day.

## The Material

Built in small mits very readable-all non-essentials climinated.

Consists of three major courses.
For Prospectue sumsmes - Men who have not yet beon amployed, hut who look promising. Men who have medicated a desire to join the Burroughs selling organization and who would like to determine their fitness and prove their aptitude for our business. This study material is intenter for the training of men before they join the organization.

For Jowior sidermex - New men who have just come into the selling organzation or who have been juniors for a short time.

For Sentor Salesmen-Advanced material which the senior will take up after he has qualified on the elementary or junior material and established his fitness to take up the advanced subjects.

## How Used

The material for prospective salesmen will be furnished them that they may study while in their present positions and thus save a good deal of their elementary training time.

Junior salesmen are expeeted to remain in the agency approximately three weeks or until they have thoroughly mastered the elementary jumior course. They will be expected to have machine practice on both $A$ and $C$ machines, to memorize standard demonstrations, and to become thoroughly familiar with the fundamentals of this business.

This is a definite course, $90_{0}$ self-instructing, but of course requiring some supervision of the agency manager or senior. All the text, practice forms, self-quizzes, and material needed will be furmished. Detailed instructions to the agency manager will also be fumished.

For the Adyancel Junior and Senior Salesmen-
After the junior has passed the elementary stage, both he and the senior will be expected to put in an average of two hours a day or ten to twelve hours a week studying. The instruction text will be furnished in small units and will be self-instructing. It will not keep the salesman out of the field or in any way interfere with his regular selling time.

## When It Starts

It becomes effective January 1, 1921.

## Whom It Affect:

Every member of the field selling organization-including juniors, seniors, specialists, and agency managers.

## What Exceptions or Exemptions:

There are none. Every member of the field selling force will be required to take the course.

> The ('ost

The Company will eontribute the time and expense of district instruetions. That part of the educational material which eonstitutes a permanent selling library will be furnished at the expense of the agencey. All of the instruction material will be lomed to salesmen. The ageney manager and salesmen will pay their perional expenses while attending schools.

## The Time Required to study

An aberage of ： 1 h hour and a half or two hours a day or of about torn to twore homs a work，divided as may be most combenient．Tha plan is to＂leam－as－you－work．＂

T＇ime liequited to（＇omplete E＇utire C＇ourse
An a berage of ten to twelve hours a werk spent in study shomble coathle a satesmatu to complete the entire course in a lear or less．

## Mow Matrial W｀ill Be Distributed

It will be sent to you antomatically be mat．As soon as one mit is complater，amother will be mated to you without reguest or comespondence on your part．

## II＇ho $\mathrm{IV}^{\prime}$ ll Do the（Questioning and Crading

As soon as the salesman gets started on his study he will be assigned a sixty－day quota of study by the district instructor．Thereafter he will be examined about every sixty days by the district instructor，who will question and persomally grade every man．There will be no charge for his serviers．Evory man will know just what is expected of him for the next sixte days．

If you should not qualify or pass the required per－ rentage in four examination，you will be assisted by the instructor to mastar it thoroughly and rou will be given additional time to study it．A penalty will be imposed for failure to make a passing grade and you will be examined again on the instructor＇s next call．

## The Adrentage of（iood（irudes

To the salesman comes the greatest advantage of knowing his suhjects thoroughly：（iood grades will be taken into consideration when territories are being allotted and promotions made．

## Poblicity of Crades

Due publicity will be given to grades in the Burroughs Bulletin．

## The Starting Paint for Jumiors

All jumior salemen will be required to start at the very begimning and qualify on every part of the junior course．

## The starting l＇oint for Semiors

Exery senior will be required to answer the question－ naires on the＇Traning（＇ourse and＂Selling the Burroughs＂ and prowe that he knows thoroughly the text contained in the junior eoturse．If he is already familiar with it，it will
require no study on his part, but he will be expected to establish his cligibility to take the advanced materiad.

## The Starting l'oint for Agency Managers

They will start at the same point that the senior does.

## Study Instructions

Study instructions will be furnished with each unit of text-everything will be carefully explained.

## Style of Instruction Text

Will be in small wits-standard ring binder size-punched-simplified to the last degree-to contain real "selling'" material-illustrated wherever practicable.

## Reference Library

When the course has been finished, the salesman will have at his disposal a very complete Burroughs selling reference library containing a textbook on practically all major subjects relating to the application of Burroughs machines. He will possess a business training and edueation that he could not secure in a similar short traming period in any business college, shool or university. IIe will possess real selling information which will increase his earnings several fold.

## Uniformity of Grades

The district instructors will do all the examining and marking of the grades on each questionnaire. In order, however, to secure uniformity in grades, irrespective of what district a salesman may be in or by whom examined, papers will be sent to the Home Office where supervision of the grades will be made. This plan will insure uniformity in all grades.

## Adrance Notice of Exceminations

The district instructors will give agencies ample notice of their visits to permit them to get their salesmen together by the time he arrives.

## Forms and Blankis to be supplied

Whenever forms are to be filled in on blanks used in connection with the work, they are furnished. No equipment will be needed other than that supplied.

## Relative Progress of Salesmen

Salesmen who are ambitious, who study and apply themselves, and who complete their tests ahead of the regular schedule, will be supplied with additional material as soon as they are ready for it.

## Sorerity of Tosk

Examinations ame to fiml ont whether salesmen are stulying and aplling the text to their work. They will
 questons, mot will there bre aty questoms with more than one cormed :mswe. Xinty of the gtostions are presented in the form of the andalal eomlition which the saleman will meet in the fird, ame are intended to andly the toxt to the artual pohleme which the salesmath will more in reveryay solling.

## ()hject of the riturly ('ontres

To make rficiont Burvonghe men. To make them
 to sell mathimes belter titted to their anstomers' requiremonts; and through more sales, to increase their caming power.

It is not intembed to makr efficioney emgincers, certified publie atcomatants or ststems experts ont of our men. The matorial suppled is all pmatical selling text. Nonesentials and irrelerant reading have heen climinated.

## s'ımmary of Eflucational Progfrem <br> (omsists of -

stmdy eomers for prospective jumior and semior Burronghe salesmen.

Is a positior comber of sturly, definitely planned, with detailed stmer instructions with earh mit.

There are no expptions and no exemptions: every member of the selling organization is required to take it.
"study-as-you-work" plan. Requires about two hours a day or twore hours a week. Entire course requires about ome year to romplete.

Text built in small units, losmed to salesmen without "harge. (ompany stands expenise of instructors' time and hohlinge of sehools.

Each salesman givon sisty-day stury quota at end of which period he is personally examined and graded by district instructor.

Failure to pass required pereentage on examination requires additional studs. Persistent failure to qualify demotes saleman's molitues for hesemes.

Cniformity of all examination gradings provided for hy Home ofire supervision.
( Bood grades basis of promotion and adrancement.
Publicity of grades through Burroughs Bulletin.

Seniors and ageney managers not permitted to study advanced material until they prove fitness by passing junior examinations.

Completed course will comprise reference library of textbooks covering all major applications of Burroughs machines.

## THE PROCRAM

## For Prospective Salesmen

This is material intended for the man who eontemplates joining our selling organization and who is willing to put in time studying to fit himself as well as possible beforehand.

A Selected Unit from "Selling the Burroughs"
This covers Company history, policies, standards, ethies, future, etc., and gives the new man an idea of the kind of Company he is to be associated with.

## Inspirational selling Material

This will consist of inspirational booklets and folders which are intended to enthuse the prospective salesman over a selling position and make him anxious to take up the work and get started.

> Machine Practice on 314
> (Using Business Practice Hand Book)

He is here expected to learn the standard 314 demonstration and learn to use the standard demonstrating sheets and to be familiar with the work outlined in the Business Practice Hand Book. It is suggested that the agency manager loan him a 314 or similar standard model for him to practice on nights and odd times until he becomes sufficiently familiar with it to be able to give him the standard 314 demonstration vernatim.

$$
\begin{gathered}
\text { Junior Training Course } \\
\text { Elementary-Three Weeks in Agency }
\end{gathered}
$$

The new junior just started is expected to remain in the agency office studying and learning the application of the machine for at least three weeks before starting in the field. 'This course is arranged so that he can alternate his study between listing machines in the morning and ealculating machines in the afternoon, but he will be required to thoroughly master this material and pass a satisfactory grade on an examination before permitted to go into the field at all.

If, as a prospective salesman, he has covered the material outlined in the foregoing courses, he will, of course,
save considerable time as the material rovered in the prosperetioe rourses is the same as that reeommended for the first werk, and atso ind lades the 300 ( lase verbatim demonstration. $A$ junior shoudd not be put ont in the fiold soliciting trials or calling on prosperets mat he has thomoughly mastered all of this elomentary course

> SELANG THE Burboutili (First Soction)
> Traming ('omse for New S'alesmen

Learn to apply the $31 /$ to all the uses ontlined in the training comrse.

## ('alculator Instruction

Elementary instruction eovering half-hay rach for ten days.

300 ('lass S'tamlard I)emonstration
Mast be learned verbatim and jumior most be able to give it satisfactorily before agency manager.

## Elementary Bookiliceping Comise

A fiverlay coums which gives a man a fair pieture of the theory of bookkeping and explains in a simple way the common terms and applications of a Burroughs for bookkeeping fignere work.

## A Portfolio

Basie material for the constraction and building of a portfolio will be furnished and the text on the eonstruction and use of the portfotio will be furmished for the guidance of the new man. He will be recpuired to start building a creditable portfolon and to be able to mee it to advantage.

## Examinations

Examimations will be given on each of the foregoing units and they will be prepared and furnished by the Home Ofliere. The agency manager will be expected to do the grading on this material and will be hedd strietly accountable for the performane of the jumior and the results of the grates.

Jomior at this point is mow realy to start out in the fied working with a senior salcoman who is expected to eoach him and help him for some time before putting him on his own resoureos.

## Junior Course Adrinced

This material is to be studied be the jumior at night and during his odd time as he will now be working in the field with a senior salesman. He will be experted to average
two hours a day on this material for at least two months and will be required to pass an examination on cach of these units as fast as they have been covered.

If the junior studies on Saturday aftemons and Sundays, during lunch hour, early in the morning, or just after finishing at night, it wil require very little night work and will be very easy for him to average two hours a day for the week. However, he would be expected to spend all the time necessary to master this material and with the assistanee which will be given him he should be able to cover this coluse in two months or sooner.

## Sblleng tue Burrougiis-(Last Three Units)

A very rigid examination will be given on this. The student will be given approximately thirty days in which to thoroughly master this text, but will be required to know it.

## Portfolio

Building up this portfolio to a point of efficiency and learning to use it to secure the best results from it will require his attention for about a week.

## Calculator Instruction

An advanced course of study requiring about fifteen hours of study and p actice with the machine at which he will devote his odd time for a week.

## Statement Machine Practice

The standard statement demonstration on the 334 B . Student will not be required to learn this word for word, but he will be expected to be able to give a good demonstration of it, and it is recommended that he run the statements in some PlB's office in order to demonstrate the machine and become familiar with its use himself. About a week for this.

## Duplex Instruction

Illustrating the uses and applications of the 9 -column Duplex machine both with and without the shuttle. He will be required to familiarize himself thoroughly with the demonstration of this machine and exploit its many advantages. Text and instructions will be avaitable as well as portfolio material and he should master this in about fifteen hours or one week's study

## Examinations:

Examinations will be given on cach of these units by the district instructor who will examine each man personally and grade him. The material will be sent him direct
from the llome oflee or district oflice as provided for by the district instruetor. Sfter the junior has qualitied on the text upto this point, he is then rigithe to attend a districd sehool which will ha: asalable from time to time during the fear, and which will he in the nature of a finishing sehool.

He will be expeeted to atteme the first sehool that is held in his immerliate neighborhood. If there should not happen to be a sehool being held about this time, he will contimu his stulies eontiming on into the elementary senior material, hat will be required to attend the first advanced junior sehool held in his immediate neighborhood by the district instructor.

## Distract School

This will eonsist of two weeks' traming eovering the following major subjects.

## Completion of Booliliceping

Student will be required to post and take off balance sheets for thirty dins's work and thoroughly understand the principles of bookkeeping.

Approach, Demonstration, ('losing-All A Machines
This inchudes $100,200,300,400$ and 500 Class machines.
Comparison of $\operatorname{All} \mathrm{A}$ and C machines bringing out relative advantages.

Advertising Ure.
A Class Retail System.
Completion of Calrulator Iustructions.
Up to this point the student will have approximated about three months.

## Elementary Sevior Course

The senior is supposed to be thoroughly posted on all of the material included in the foregoing junior courses. After he has answered the fuestiomaire on this material and hats demonstrated his fitnoss to take up the senior work, at this point he will begin the first subject of the Elementary Senior Course. The junior will continue his studies, taking up these subjects in their regular order, and qualify himself for the position of senior when an opening occurs.

## Installation Instructions

Instructions on the proper way to make an installation to secure the best results. A short text, but a very important one.

## Standard 600 (lass Demonstration

To be learned verbatim. This will cover the standard model from a commereial standpoint, and elaboration on this text will give the man a vast amount of selling material. It will handle the situation from the standpoint of the present Burroughs user, the foreign mathine user, and the foreign machine prospective purchaser:

Instruction on the Complete Application of the Standard B Models-646A, 656E, 676E, 246H, 676G, 276A.
This will show possibilities of the standard line and the many applications which are possible under varying conditions.

## Bank Applicutions

The most general bank applications of our standard line.

## Triplicate Sales Tickets

A short text on the nse of triplicate sales tickets including the filing. This material will tie up with the portfolio material.

## Examinations

Examinations will be given on each of the foregoing units and the salesman will be expected to be reasonably well posted on each of these subjects up to this point. It is expected that the elementary senior course will require approximately six weeks, which wo believe gives plenty of time for the leisurely and convenient study of these units.

Salesman is now eligible to attend $B$ Class school to be held by the district. Ho will be expected to attend the first $B$ Class school held in his immerliate neighborhood which will be in the nature of an elementary senior B Class school.

## B Selling School for Seniors

To require approximately two weeks and to be held by district for small groups of agencies covering B Class retail systems. This subject will be covered in detail and the men will be schooled on the approach, presentation and actual close, as well as the installation of the complete system.

## Merchandising

The value of figures and their relation to subjects such as average mark-up, figuring fumovers, figuring selling price, making profit and loss statements, ete., will be covered in this course and salesman will be given real selling information.

## ('nstomers' S'totements

There are approximately right ways to make eustomers' statements in commertion with our is Class machines and these will be covered in detail, applaning the advantages and disadvantages of each method.

## Amalysis

Analysis of the comditions existing in the PB's office and conditions which most be met when recommending equipment, making written propesitions, or estimating the saving to be made and rexults effecterd.

## B Portfolio

The construction and use of the 13 C lass portfolio.
Approach, Prosentation, Sales Talk and CloseB Machines.
Written Proposition.
How to make ur, when to wer, and how to secure best results from the writen proposition.

Comparison of Various Bookthepping Machines
Describing the advantages and disadvantages or each style.

## Advanced Senior B Instructions

These mits will be mailed direct to the salesman when he completes the previous text, and he will continue putting in his spare time and efforts on this material. This is material which every senior Burroughs salesman should know and material which a preat many men do know. Where the salesman is familiar with the subject matter, it will require practically no study on his part. Plenty of time will be given for the complete mastery of each unit and the salesman will be graded persomally by the district instructor at intervals of approximately every sixty days.

> Demonstration, Application and Sales Possibititics of Each This should to casily covered in thirty days.

## Rontine, Office Mathods and Installations

Meaning outline of the routine which common transact ons follow in cortan lines of hasiness and the office methots of handling the records generally in vogue, and how they affert imstallations and how they should be provided for.

## Commercial Stock Records

As distinguished from manufacturing stock records.
Department Stores-(Both large and small)
Installment Houses.
Commercial Distributions.
Covers distribution of sales, purchases, expenses, ete.
City, County and State.
Detailed Analysis Local Installations.
Detailed analysis of his best focal installation to be made by salesman, and he is to furnish samples of posting media, ledger forms, statements, proof forms and a routine chart showing just how the posting operation is routed, together with the complete data on the number of postings, time required, ete. This material will be re-distributed to the field in reproduced form and will make very valuable selling material for other members of the force.

Building and Loan Assoriations.
Savings Banks.
Bank Accounting-(Both large and small).
Unusual Applications and Uses.
Showing unusual conditions where clever applications of standard models have resulted in sales and will probably secure more business for other salesmen.

Manufacturing Stock Records.
Manufacturing Distr:hutions.
Payrolls.
Public Utilities.
Allowing ample time for the salesman to cover each subject without phacing vory much of a burden on him or requiring too much night work, will require approximately one year to reach this point. It is understood, of course, that many salesmen will require much longer than this, whereas others who learn rapidly and who are good students will reach this mark much sooner. The time element is not a serious one as long as the salesman indicates his willingness to spend a reasonable amount of effort to better himself.

It is very hard to estimate the length of time different men of different matmes will require to fimish a given text. It can only be approximated. We believe, however, that this establishes more of an ideal than an average and we have no intention of placing an umreasomable burden on our salesmen.

It is to his interest to master these various subjects as soon as he can, and we feel that he would be glad to avail himself of every opportumity to do so. We do not
believe that amy more cheouragement will be necessary thath the fact that it is to his greatost interest．Therefore， the time approximatod should not be considered as a seriens moubroment as long as eonsciontions offorts are being put forth．

## （ 1 Inestions：

1．What are the advantames and disadvantages of the plan of providing study comres for senior sales－ men as well as for jumiors and new reernits？

2．Is the romrse so plamed ats for tran the sales foree along the lines which will lead to increased busi－ ness and good will for the Burroughs（＇ompany？

## Pronblem 258

Shlaky－Pleq－（ommision（＇ombenchtion for Salesmen
The sales manager of a large paint mamufacturing concern，having sales offices in mine cities of the United states，wites as follows eonocoming his method of paring salesment：

Our plan of paying salesmen is the salary and com－ mission over a quota plan：and while we have found it to be better than our former plan of straight salary payment， the method now in mas still leaves much to be desired． The principle on which we work is to pay eatch salesman a fair wage and allow all reasonable expenses while traveling on the road．In addition to this，in order to stimulate his effort and enalle him toshare in the results of his industry， at the bremming of our fiscal year wo determine what amomet of salde in each territory it is fair for us to expect as a minmmm point．This is then ealled the quota，and on all sales oror this amomat a commiswion is paid to the salesinen．

It will at once he manifest to you that the success or failure of this phan rests laredy upon the proper determi－ nation of quota points，and you will ako realize that this
determination should be influenced by a number of important factors. The time the salesman has been with the company, the amount of business on the territory when the salesman took it, the productiveness of the territory and the possibility of future development, the expense of getting business on the territory, and the salary that the salesman draws are some of the more important factors that must be taken into consideration when the quota point is placed. In order to insure that these quotas are fixed as fairly as possible, the figure is determined only after consultation with the District Sales Manager, the General Sales Manager, his asistant, and the executive managers of the company.

In a period of normal times any system of this character is bound to operate more satisfactorily than it will during abnormal times such as we have been experiencing recently. In order to derive satisfactory results from this system, or from any other under such abnormal conditions, it is our opinion that the plan should be sufficiently flexible to permit of the exercise of good judgment on the part of the management to allow for the varying conditions, rather than to have a fixed policy from which there can be no variation.

For example, our original plan was that, so long as a salesman remained on his old territory, his salary would be unchanged, and his quota point would be raised from year to year until the time was reached when the salary plus his commission plus his traveling expense would, when figured against the business of that territory, show a selling expense for that territory no greater than the average selling expense for our business. On territories where this condition already prevailed, the salary and the quota point were not to be changed.

While it may be that this plan could be worked out under normal times, the great change in economic conditions resulting from the war and the subsequent period of inflation made it impossible for us to carry out this original plan, because we were foreed to raise salaries in order to retain our salesmen and also our expenses increased greatly along with the expenses of every one. Furthermore, a fixed plan and policy that could not be changed made it almost impossible for us to change territory lines in order to develop the business more rapidly, because a salesman would object to having his territory redueed or changed in any way.

We, therefore, reached the conclusion that it is a very difficult matter to work out a plan of this kind that will
cxtemb over a mamber of vears in the future, because the results atr womberfally influenced be conditions, and it is very difficult to prophesy what those conditions will be. We believe, rather, that the matter should be left largely in the hands of those responsible for the management of the business and its varions departments, and we think better results will be obtained in this way, provided, of rourse, it is thr disposition of those in anthority to deal fairly with those in the organization.

In addition to the above plan, we have also found it advantageons to us to pay a cash bonms to each salesman that opens up a new dealer agent acoount for us, provided the new dealer agent meots the requirements both as to size and chatacter of order that we think should be met before an aceount can be acerepted as a dealer agent.

## Question

Do you agree with the conclusions expressed in this letter".

Problem qis9
Remucheg Rate of Commeston
Many concerns, during the depression beginning in 1920, were confronted by the problems of salesmen's compensation. The manager of the Balfour Shoe Company is undecided as to whether it would be wise to reduce the rate of commissions along with the wages paid employees of the factory. There has been a $20 \%$ reduction in factory wages and a $10 \%$ reduction in salaries of office force, but up to date no change has been made in the commission paid salesmen. Commissions, prior to the war, amounted to $6 \%$ which for good salesmen gave a yearly income of from $\$ 4,000$ to $\$ 10,000$, depending upon volume of sales. During the war, with the increased sales and particularly the
increased price, it was by no means uncommon for a salesman to accumulate commissions ranging from $\$ 10,000$ to $\$ 20,000$ per year. For the first season since the slump, figures show that salesmen are still getting a higher compensation than before the war. The Balfour Company has been forced to take severe losses on account of inventory and it is necessary to effect economies. It is argued that salesmen, more than other employees, should share in the profits of a business and they have done so through the higher commissions in the war period. It is also claimed that they should share in the losses and that they should not be disgruntled if, when the business is not prosperous, commissions and salaries are cut. On the other hand, the argument is brought up that the prosperity of a business depends upon a successful selling season, the chances of which will be greatly decreased if the rate of commissions and salaries is cut. It is argued that, instead of cutting salaries, salesmen should be urged to work harder, increase their working hours and endeavor to get as large an amount of orders as in previous normal years.

## Question

What should be done?

## Problem 260

## Compensation of Salesmen

Randolph Perry and Brother, manufacturers of women's trade-marked garments, pay their salesmen a commission of $71 / 2 \%$, salesmen paying their own expenses. Salesmen in the home territory of Ohio receive the same commission as those located in the far western territory. The sales manager feels that
this is not a just basis, because the expenses of the saldenen in the far western territory are considerably greater than those in local territory.

## Question

C'an a workable plan be devised which will equalize income, without losing the chiof advantage of a commission plan or departing from the practice of leaving rontrol of expense in hands of salesmen?

## Problem 261

## Salesmex's Commissions in the Wholesale Girocery Business*

The John sagamore Company conducts a wholesale grocery busines in Pittsburgh, Pennsylvania, covering the trade within a radius of about 150 miles of that city. The salewnen of the firm, prior to June 1921, had been paid on the satary basis, but at that time the management decided to adopt a commission basis of payment on net profits. Discussion arose among the executives of the company as to just what should be deducted from grose profits in order to arrive at a figure on which to base commissions to salesmen. since the mantigement was desirous of setting down at the start a clearly defined policy as to the basis for commissions, the various executives sought information through the Harsad Bureau of Business Research as 10 standards of practice. The Bureau conducted ath inquiry and was able to collect the following information concerning methods used by six typical wholesale grocers in different parts of the country operating on a so-called "commission on net profits"
*Harvard Burean of Business Researeh, Bulletins No. S, 9, 14 and 24.
system of payment. The questions asked and the answers obtained are given.
(1) What percentage over and above incoming freight and cartage is added to the cost of goods for handling through the warehouse to the shipping door? In reply to this question, three firms stated that they made no addition over and above incoming freight and cartage for the expense of handling goods through the warehouse to the shipping door. One of them, however, expressed the intention of charging $1 \%$ on sates to cover this item. One firm added approximately $2 \%$, and another $5 \%$ over and above incoming freight. The sixth firm described its practice as follows: "On a flat market we add nothing over and above the incoming freight and cartage to the cost of goods which we give our salesmen. When a market permits we reserve the privilege of advancing our cost, and on the other hand, when a market declines we lower our cost irrespective of actual cost.
(2) Is the freight on outgoing goods deducted $100 \%$ from net profits? If not, how much? One firm stated that it did not pay freight, while five deducted the entire freight on the outgoing goods from the gross profits.
(3) Is cartage on outgoing goods deducted $100 \%$ from net profits? If not, how much? Three firms made no deduction for cartage on outgoing merchandise; three deducted the entire cost of outgoing cartage from gross profits.
(4) If a salesman has a loss due to a bad account, is this loss taken out of his net profits? Four firms made no deductions for bad debts before determining the profits on which the salesman's commission was to be paid. In one other case, the losses from bad debts were
not charged tgainst the salesmen, but commiswions were not credited on ateoments that were not collected, on if they had been credited they were changed back. In the sixth case, the salkesmath was not paid his commission on salles for which parmont was not collected.
(5) How much is deducted from net profits for "arying overdue aroomts." This was the only question for which the answers all agreed. In no case was the deduction made by these firms for carrying overdue aceomets.
(6) What other deductions are made from gross or net profits and how are they deducted? Two firms made no other deductions; two firms deducted the freight and gross profit (1) returned goods in determining the profit on which commisions were to be paid; one of these firms also made a deduction for allowances made from the firm's invoice price by salewmen, and any other athowance made hy salesmen. In the case of the fifth firm, adlowances and excess discounts were deducted from the profits at the time the allowance was made, cither by payment to the salesman or direct to the firm. The sixth firm deducted the allowances, and in addition charged $500^{\circ}$, on cigar samples and $50 \%$ on the eost of bonds of satermen.

## Question

What would be the most advisable method for the John Sagamore Company to use in determining a figure on which to base commisions to salesmen?

Problem 262

Salary, Commision, and Bonet Payment for Salesmen

A concern manufacturing a line of drug specialties pays its salesmen on a salary and bonus basis, substantially as follows: Each salesman receives a salary weekly, which is about sufficient for his living expenses. In addition to this, he receives a commission on sales for certain products which are charged quarterly. The commissions vary from $2 \%$ to $10 \%$ and the articles on which commissions are paid are distributed among the rarious departments. Commissions are drawn up by the eighteen sales departments of the concern and are figured departmentally. At the end of each quarter, the salesman is paid one-half of the commission due him from each department, the other half being retained until the end of the year. Then, if he shows an increase in gross sales in a department over the previous year, he receives the other $50 \%$ of the commission which has been accumulating during the year.

If his sales do not show an increase, he does not receive the other $50 \%$. Besides the commission, a bonts of $1 \%$ is paid by each department on the increased sales in that department over the preceding year.

## Questions

1. Under what conditions can this plan be made to operate smoothly? Under what conditions might it become inequitable?
2. In the figuring of this bonus and in its payment, certain problems arise.
(a) If a salesman is asked to change territory, it is very likely that the sales of some of his departments will be less than the sales in his former territory, so that in comparison he loses thereby.

## 45- PROBLDMA IN SALAS MANAGEMENT

(b) Likewise, the articles comprising a particular department hase at times been changed from one department to another. In one ease of this kind, no salesman showed an increase in sales at the end of a year in a certain department which had been trimmed down.

What adjusiments should be made to meet these cases?
3. Salesmen are not given credit for mail-orders from their customers, the management operating on the theory that mail-order business should be cut down to a minimum and preferring that the salesman spend more time with his customers and look more fully after their interests.

It is thought that to allow the salesman eredit for mail-orders would make him carelese in his visits to customers.

Do you agree"

Problem 963
Bones Plan for simesmen
Since the control of salesmen involves to a very large extent dist:mce and imperfect personal contact of salesmen with superiors, it seems to the majority of sales managers that some form of incentive to take the place of constant personal supervision or "foremanship" is needed. Generally speaking, the incentive that sales managers offer salesmen is in the form of
money. This is offered as a straight salary or salary and money earned through some extraordinary effort or good salesmanship. The salary or drawing account, whichever it may be, is constant and is paid at regular intervals. The commission or bonus, or whatever the extra remuneration may be called, usually covers a period of six or twelve months. It has been asserted that sales managers make a mistake in dividing bonuses at the end of such long periods. It is stated that, if the quota is set for a year's work, the salesman will tend to postpone his activity until toward the end of the year in the hope that something will turn up to save the extra effort. If a salesman happens to be inclined to laziness, he will get under way slowly the early part of the year and the employer will suffer in consequence. To remedy this situation it is further asserted that the only way to do is to set short periods and tie them up to an annual commission and a further commission if all of the quotas for the shorter period are also met or obtained.

Assume that a salesman named Jones sells a mixed line of goods. He is paid $\$ 200$ a month or $\$ 2,400$ a year and is told that he will be given a commission of $2.4 \%$ on all sales above $\$ 96,000$. If he is too self-confident or lazy, he may easily not do his best during the first quarter or during the second, yet make a fair commission on what he sells above his quota at the end of the year. However, this fails to give to the concern an even flow of business throughout each month of the year. It is suggested that, instead of giving a quota for the year, we tell him hereafter his quota will be $\$ 5,000$ per month and that he will be given $1 \%$ on what he sells ahove that each month; that, if he is able to sell more than $\$ 96,000$ during the year, at the end of the year he will be given an extra $1 \%$ on all above. In addition to the monthly and annual commissions, he will be given an extra commission of $1 \%$ on all he sells over $\$ 96,000$ if he has exceeded his quota during each of the 12 months.

## Question

Is this plan generally applicable?

Problem $2(64$

## Bowers PbaN foh Shlesmen

The dugusta (ompany mamufactures an extensive line of wommes shoos, which it sells moler widely adrertised bramds on the exelnsive agency plan. salesmen are trained in hle plant itself. Up to JanHary $1,192 \mathrm{l}$, they were paid on a commassion basis. It Wat then proposed that a salary-and-competitivebomme hasis be atopted, artual expenses being paid by the house.

From (if) ${ }^{\prime}$, to sor, of the income of the different salesuen womld be derived from salaries. At the begimmen of the rear, the management should specify items which were to enter into the determination of the bomus and the weight each will receive; for example, increase in mumber of pairs sold, increase in grose value of sales, net profit retumed to the company, are some of the considerations which usually count toward the bonus.

Following are the conditions governing the bonus plan as first proposed:

# Conditions Governing the Distribution <br> of Bonuses 1921-1922 

Class No. 1
SLXTY POINTS to the credit of those who show the largest TOTAL PROFIT IN DOLLARS AND CENTS, less actual road travoling expenses, which will be deducted.

Explanatos:-The samples are classified by grades and as the better grade show are the most profitable, they are the shoes that it is most to your advantage to sell, in order to make the greatest showing in this chas of the Contest.

The actual profit will be figured on the total Road Sales for the entire year; the total road traveling expenses will then be dedueted and the balame left will represent the total profit realized from earh territory through ratd sales.

The mont impertant comederation in this class is to sell at all times shoe which show the best button, in preference to shoes showing a pormo hutton; howewe, it is necessary to sell the lowergrade shone after the dealer has purchased all of the better grades it is pesiblle to sell him, beeanse the greater the total sale you can make necessarily means just that much greater showing in total profit at the end of the year.

## Class No. 2 <br> THIRTY POINTS to the credit of those who LAND THE GREATEST PER (EENT OF NEU ACCOUNTS.

Explanation:-This class of the Contest will be figured in the same manner as in previous Contests in which this (c)ass entered. All the town on each salesman's territory will be classified in aceordance with their relative importanee, the larger towns being considered as of more value than the smaller towns.

New aceounts landed will be figured as a percent of the total Jonah towns on the salesman's list. Any town in which there is an account at present and in which diring the period of this Contest the account is discontinued, will be considered lost and will be deducted from new accounts landed.

A new account will be considered to have been established only if the aceomt is in all respects satisfactory and the purchase is sufficient to justify the estallishment of the ageney.

$$
\text { (lass No. } 3
$$

TEN POINTS to the eredit of those who are of most service to the house and who sell shoes as we want them sold, which includes the following divisions:

Selfing the greatest possible number of pairs.
Sending in Sample Suggestions of any kind at any time during the year, which are of assistanee in linilding onr sample lines, or otherwise assisting.

Sending in General suggestions of any kind which are in any way of assistance to the business as a whole.

Selling goods as we want them sold and intelligently following instructions received, confining sales to 12 pair or more to the width, excepting $A \mathrm{~A}$ and A .

Selling Factory No. '2 goods as sampled, and thus eliminating unnecessary changes.

## Question

Should the plan be adopted?

## Problem 265

Profit Siharing for Salesmien*
An Arkansas wholesale grocer claims that most profit-sharing plans, as applied to salesmen, are unfair for the following reasons:
(1) The interest of the saleman is only in his own efforts.

[^26](2) He has mo shate in the risk assumed by the romerom.
(3) Ilr is mot indured lo sill ally goods, except

(1) In the sale of fatmers, the eqoeds are bought to cover: and, when ratorlations romer goods are thown batek on the houso without risk to salesman.
(i) When goork are shipped out and brought back to the homer, ther have lost ehamater with the salesman and the houre loses moner on the goods.
(6) On sales made from factory and mot accepted be buyer and thrown back on the grocer, the salesman is only eharged batek with the profit he is alleged to have made, while the house is loaded with the goode at a loss.
(7) Interest rater hatro donbled since these profitsharing plans were made and the jobber must pay twiee for his borrowed capital, which increased expense the salesman does not share.
(S) Trucking to and from the station and to city deliseries has doubled, and this burden is borne by the house.
(9) Under all present profit-sharing plans known to the writer, the salesman gets his share of the gross profits bofore the (iovermment taxes are paid by the honse: so he does not share in the Government taxes, exerpt in his personal income.
(10) Curler the proposed plan of a tax on sales, he will not participate in this tax, but it will be shouldered by the house unles the tax is permitted to be alded to the invoice.
(11) It is fair that other branches of service shall be rewarded by some profit-sharing plan; and when the salesman is interested only in his own profits and not in the protits and loses of the house, this plan hurts the house and hence the fixed-salary people.
(12) Traveling expenses of every description have been greatly increased.
(13) Salesmen may recommend the purchase of certain lines and lose interest in them to the loss of the house.

The remedy proposed is that of paying fixed salaries to all employees except salesmen and arrange a division of the profits, after allowing $S^{\prime \prime}$, on invested capital: i. e., pay salesman a satary and a bonms based upon the results of the honse's business and his share in that business based on his sales, profits and losses, allowing the house $8 \%$ interest on invested capital.

A typical computation follows:
Suppose the house hats investerl
capital of . . . . . . . . . . . . . . . . . . 3 . $70,0000.00$
Suppose it sells in the yeat. . . . . . . 5, $0000,000.00$
Suppose it has net rarmings. . . . . . 125,000.00
Suppose its losses on had dehts are 15,000.00
Add the losses to carnings and we
have... . . . . . . . . . . . . . . . . . . . 140,000.00
Charge to profit areonnt $\mathrm{SC}_{\mathrm{C}}$ on invested (apital.................. . $\quad 10,000.00$
Leaves net rarnings. ............ . $80,000.00$
This makes net earmings oni turnover of . . . . . . . . . . . . . . . . . . . . 1 i $i-10 \%$
Suppose Jones has fixed salary . . . 200.00 (per mo.)
Suppose Jones sells. 200,000.00
Earnings on Jones' sakes at $1.6^{\circ} \%$.
Jones' share of bat debte $3-10^{\prime \prime}$... 600.00
Net carnings of Jones.
$82,600.00$
If Jones has no losses, he should be charged with none, but his profit account should be charged with his own losses and not a prorated or estimated loss. Now divide this $\$ 2,600$ between the honse and Jones, and you have made Jones a partner with the house on a fifty-fifty basis. If Jones' average profits are in excess of the general, you may divide the excess to encourage Jones to work for a profit.

If Jones' average profits are less than general average, then you would penalize him for the deficiency. Jones will then have the same interest in the welfare of the house as a partuer or stockholder, whereas now he is
a prefered shareholder in the house's gains, with no shate in ite varions kinde of loses or increated expenses.

This will sate the homes thousands of dellars' loss on goods permitted to spoil, on retarned goods, on canceled orders for fiture or otherwise, on prevention of lose in anticipated derdine in the market, because Jones and the house are pathers and the house's interest is Jones' interest in erery semes.
(Juestions

1. I) othe ohjections apply to profit-sharing plans generally".
2. Does the proposed plan meet the objections presented against other profit-sharing plans?

## Problema 266


I manufacturer of metal beds, which are nationally advertised, employs approximately 5,000 persons. The introduction of a profit-sharing plan is contemplated, whereby a dividend is to be paid to the workers on the basis of payoll at the same rate paid to the stockholders on the common stock. Every worker, from the president down to the office boy, recoives the same percentage on his year's wages as the stockholder receises upon his holdings of common stock. Salemen are to be treated the same as any other emplowees. They are now paid by commissions on wales.

## (buestion

Would this be effective as a means of stimulating sale-men to put forth their best selling effort?

## Problem 267

## Compensation of Salesmen

A wholesale dry-goods concern, with offices and houses in Boston and New York, specializes in underwear and hosicry, handling neither ready-to-wear nor piece goods. In the sales force are five main types:
(1) General salesmen who handle the complete line of the company. Wach has a small territory and usually covers it by automobile. Territories are so small that in many cases the salesman works out daily from his headquarters. Routes are stipulated, but the salesman can use more or less discretion in the conduct of his work.
(2) Department and specialty stores in the larger towns are covered not by the general salesmen, but by "department and specialty store salesmen." There are three types: (a) those who handle hosiery and underwear only; (b) those handling men's wear; (c) those handling all other items.
(3) Young men sent out from the Boston office with some specialty which the management desires to push. These "department assistant salesmen," as they are called, may specialize at one time on handkerchiefs, at another time on some specialty in men's wear. The salaries and expenses of these assistants are paid by the company, while the general salesman gets a commission for the sales that they make. The purpose of the plan is to advertise and stimulate both the merchant and the general salesman in pushing a particular product.
(4) "General assistant salesmen," employed by the general salesmen, are responsible to them and are paid by them from the commissions which the general salesmen make. These assistants report to the general salesmen, but the office retains some control by requiring a weekly report of their activities.
(5) A group of house salesmen, who handle the buyers as they come into the Boston and New York stores.
(a) Geveral problems arise in ronnection with this armagement. It is gemerally true that the small stores in a dity will be cosered by a gomeral man, while the department amol serebalty store salesmen will solieit the latere department and specialty stores. When a store derolops so that from the standpoint of effective selling it would be better to have the department and sperialty store salemen visit it, there developse a confliat of interests botween the general salesmen and the other types. The weneral satesmen will most strommoms objert to giving up accounts which might moan several humdred dollars apiece to them.

## ( ucstion

How should the sales manager handle the matter?
(b) In comnection with the rommission system of payment which the eompany nses, several problems havearisen:

In the present depression, when there is not only a fall in the volume of sales but also in prices, salesmens earnings have fallen to such an extent that they are apt to be diseruntled. This company has not chamged the method of payment or the rate of eommission, but has told the salesmen that for the patit fow years they have been simply ordertakers and it is now necessary for them to go out and show sales ability.

## Question

Is this sufficient to secure desired eooperation of salesmen".
(c) Since salesmen pay their own expenses, there is a tendency in some cases to economize more than if the company itself paid expenses. In certain cases, the company feels that the men may go too far in their efforts toward economy. Likewise, hotel and traveling expenses are greatly advanced over the period prior to the war, and the traveling salesmen are dissatisfied, feeling that the company should either increase commissions or assume part of the expense burden.

## Question

What action should the company take".

## Problem 268 <br> Compensation for Several Classes of Salesmen in the Sime Concern

The wholesale dry goods concern mentioned in Problem 267 has adopted the following method of paying its five types of salesmen. First, general salesmen are paid on a commission basis, while their assistants are paid out of the general salesmen's commissions; the department and specialty-store salesmen are paid on a commission basis, but given a particular class of customers: department assistant salesmen are paid salary and expenses by the house, while the general man gets a commission for the sales made by the department assistant salesman; and store salesmen receive their compensation on a commission basis.

The Wilkinson Company, a concern selling a broader line of dry goods, employs three classes of salesmen, specialty men being employed by the various departments to call upon bigger merchants and specialty stores with special lines such as hosiery, underwear, and ready-to-wear; circuit salesmen, who are used to open up new accounts and sell big business; and two sets of general-line salesmen, who together carry the
full line, one gromp carying the piece goods and the other such articles as hosiory, handkerehiefs, laces, ete. 'The semeral salesmen demand eredit on all sales (1) (astomers ith their territories.

## (lusclion

Presont a workable phan for compensation of these different clases of salesimen of the Wilkinson Company working the same territory.

Problem R69
(impmation of Shlemen*
Question
(1) "How do you aredit salesmen with business receised from chain stores in eases where one salesman's efforts result in a branch manager making requisition for goods, which must be purchased by general purchasing agent in home office located out of salesman's territory?",
(2) "suppose one of your salesmen called on the purchasing ament of Fairbanks, Morse \& Co. at Chicago, who referred him to the superintendent of the Beloit, Wisconsin, plant. The Wisconsin salesman sells the plant : uperinteudent at Beloit, but the Chicago satesman actually secures the signed order from the purchasing agent at (hicago.

## Question

"Who would secure the commission"
Or would it be divided?" "
*Sales Manugoment, August, 1921-To Whom Should the Credit Go?
(3) "A Chicago manufacturer has a representative in Boston. The home office of the Chicago manufacturer sells a large concern in Boston without the aid of the salesman. who has had the opportunity to call on this Boston concern. The salesman claims credit, banking on a technicality in his contract which calls for commission on all goods sold in his territory, including mail orders. Later the business develops and the Boston concern buys at Boston for its branches all over the country.

## Question

"Is the salesman entitled to the credit for the business; and, if so, is he entitled to credit for orders being shipped to all parts of the country?"
(4) "A lumber manufacturer has saw mills in Oregon, Louisiana and Minnesota. His office is in Chicago. The Louisiana salesman for a belting concern sells the superintendent of the Louisiana mill, who makes a requisition on the Chicago purchasing agent. The Chicago purchasing agent gives the order to the Chicago representative of the belting concern. Both salesmen claim credit. Who is entitled to it? Later the Chicago salesman, through his efforts, induces the purchasing agent to standardize on belting for all three mills. The Chicago salesman then claims commission on all business, while the Oregon and Minnesota salesmen claim commission because the belting is shipped into their territory.

Question
"Who is right?",
(5) "The sales manager of a concern originates a valuable acrount in open territory. The business continues to come in by mail after the territory is filled with :1 :alesm:an.

## Question

"Is the salemman entitled to eredit on these mail orders."."
(6) " I salesman working on a eommission basis makes a trip orer sereral states where there is no salesman. Later he is assigned a permanent territory outside these statos.

## Question

"Is he entitled to commission on repeat orders from these states as long as they are open teritory","

## Problem 270

Compensation of Sales Force
The White and Kendall Company, manufacturing a line of printed and lithographed goods-calendars, posters, novelties, etc.-has during the past five years increased the payment of salesmen in response to their demand for increased compensation to offset the high cost of living. Commissions earned by the salesmen of this concern during the last eight monthe show an increase of 75 , per man over the same time during 1914. No war bonnses were allowed, and the rates of commision are practically the same today as they were four years ago.

The White and Kendall Company have in the past had two forms of salesmen's contracts-a salary and a commission. Any salesman on salary contract has
had to itemize his expenses daily in order to get credit for them at the end of the month. Today the company is working largely on commission contracts; and, by comparing daily reports of salesmen from 1916 to 1919 , they get the following averages: in 1916 the average volume of business of each man was $\$ 15,397$; in 1919 it was 828,805 . Their average yearly expenses were in $1916, \$ 1,100$; in $1919, \$ 1,320$. The actual percentage of total traveling expenses to volume of business done by these men was reduced from $7.8 \%$ to $5.5 \%$. In other words, what are classified as legitimate traveling expenses, between the years 1916 and 1919 (inclusive) rose in far less proportion than actual living expenses, although it is quite possible that the salesmen exercised greater economy. During the same period, the per cent of these expenses for railroad fares, as compared to the total expenses listed, remained the same, $370_{0}^{\circ}$. Of this, railroad expenses took up an average of $\$ 488.40$.

Business conditions are getting tighter. It will take more work to sell goods from now on. On that account, and on account of increase in railroad and other expenses, the salesmen demand an increased rate of commission (June 1920).

Question
Should the sale: manager advise granting the increase".

## Promben 271

## (OMbENGATION OF SMLEMEN

The following is taken from the sales manual of ('urtin © Nye Compans, a large mamufacturer of men's work gimments.

## ('ontrant

The (ompany beither requests nor areepts a eontract for saldes sombers. it having beon demonstrated that confracts are worthers to all partios eomerned.

Our sales phan is not complicated. Remmeration is tased entiely on results. The Itouse is anxious to retain the servies of a producer: one who follows the rutes of the Houses, as ontlined in this booklet.

If results from a twritory are not satisfactory to the Company, the reserve the right to make any change that is deemed advisable. They may reduce, mblage or change boumbaries, transfer to another field. or remove entirely from the paymoll.

It is expresely understood that the House is not bound by any writen or verbal agreement, entered into by two or more individuals comected with the Firm, which conflict in any maner, shape or form with this arrangement.

A salesman, upon leaving the employ of the Company, sither of his own wolition, or at the request of the Company, retains his interest in any and all orders which have been secured by him prier to the time of his removal.

Commiswions will be due and payable aceording to the outline under the subject, "sulesmen's ('ommissions," below.

Conderrent with the time of his removal, he will cease to have any interest in or participate in further business secured from the territory or from any business secured anywhere, which might le due to his efforts while in the employment of the House.

## falemex's Commashons

Payable on net sales the sixth of the month following the date of shipment.

Your acrount is debited with commissions on goods returned from your territors.

Your aceount is credited with:
six per cent on all dealer business sectured by yourself for shipment into sour territory.

Six per went on all dealer husiness seeured by mail for shipment into your territory.

Three per cent on dealer business secured by yourself, but shipped and billed into a territory other than your own.

One and one-half per cent on business secured in another territory, shipped into your territory, but billed to still another territory. (In a case of this kind, salesman securing the order receives three per cent, salesman occupying the territory where goods are billed one and one-half per cent, salesman occupying teritory where goods are shipped one and one-half per (rent.)

Three per cent on industrial business secured in another territory and shipped into your territory:

Three per cent on industrial husiness secured by you personally and shipped into another teritory.

Parcel post charges or prepaid freight or express charges are shown on invoices, hut no rommission is allowed, other than on invoice value of the garments contained in shipment.

The Aecomenting Department is not infallible; we are liable to make mistakes; therefore, if our records do not coincide with yours, we gladly make up an itemized statement for you. However, we expect you to keep an accurate record of your personal sales, and do not believe that it will be necessary to call on us for this extra work, except in exceptional instances.

## Questions

1. Criticise this plan of compensation.
2. Is the position of the company as to contracts with salesmen sound?

#  <br>  

The following is a contanet used bey the National Cash Remister (ompany to establish definitely its relationship with saldesmen:

19
Mr.

> (sialocman!

Having a salre lemery rontract with The National (ash Ragister Company, I herehy agree to mompy you to sedl cash reqisters and other products furnished hy said Company in the following territory: (bian complete description).

This eontrant is effective 19. on the following conditions, viz:
 tions of this oftier, be geverned by the decesions of sath ('ompanys, amb follow shch instructions as may be given fon from time to time.

2 . For the reason that at conventions and conferences of the sales agents. their salesmen, amel oflicers of said ('ompany and in other wase yon will ohtain confidential mfomation regurding the (ompany"s husiness affars, its neressities and plans, and the names and reguirements of its rustomers. which it would not be fair nor right to use to its detriment. fou atere in patt consideration of fome employment hy mot to engage directly or indirectly for pomesti or as the agent on amploge of another, in haring, welling, or dealing in eash registers, in the territory berein eranterl, for a period of one vear after the termination of this contrate withent the watten consent of sated (ompanys and this agrement shall imme to the benefit of the ( "ompany.
3. During your contimbanco as salesman for me wader this contrad you are to have amd recerive from the a commission on all cash rexisters sold for said Company for new in yom terriory, whetber sold by you or any other person in my emplos. or in the emplog of sad Company, exeept as homemalter provided.

Your commisson to be as follows:
per cent on the list price of the following new regintros:

Class 800 except Nos. $841,851,8.16,856$.
Class 900.
Class 1700 except No. 1722.
All of which are for convenience called "A" Grade. ...........per cent on the list price of the following new registers:

Class 100.
Class 700 except Nos. 711, 720, 722, 730.
Class 1000.
Class 1100 except $1122,1142$.
No. 841.
No. 846.
No. 851 .
No. 856.
The N. C. R. Credit File.
All of which are for convenience called " $B$ " Goods.

- per cent on the list price of the following:

The N. C. R. Electric Credit System Switchboard and Telephones.
Swivel Base.
This rate of commission also applies to the selling price of the following second-hand registers:
Class 500.
Class 400.
79 Principle.
Class 300 with tape.
Class 1000.
All of which are for convenience called "C" Grade. per cent on the list price of the following new registers:

Class One.
Nos. 1122, 1142.
No. 1722.
Class 700 without tape.
This rate of commission ako applies to the selling price of the following second-hand registers:
Class 300 without tape, except Nos. 310, 311, 320, 321.
35 Principle.
All of which are for convenience called "D" Grade.
........... per cent on the selling price of the following second-hand registers:

No. 310.
No. 311.
No. 320.
No. 321.
All of which are for convenience called "E" Grade.

In ma rase is the emmmission on a seromd-hamel register



In all rases where an exersive allowamer is mate, the rommission will be lignere on the momer difference that womlal hatr beron paid hat the regular allowame been mande, alll you will be charged with four proportion of Hore exress.

1. Where an :mmome lese that the firet there regular parments is paid on any eash rexistor, and the (ompany
 (ammission, hat if yon matan poscesion of the register aml rexell it at the list price withon six montlis, you are

 the rexister salathe, amd mot lese than there regalar payments hate beem made on the seemul sale. If surd expense

 wo commasion mates ome-half of the list priee has been paid.
2. The National ('ash Ragister ('ompany reserves
 the amonnt fo be allowed on spereial exphanges of new National (anh Rositare for old of for registers of other makes. Where you make a greater allowance for an old National register, of register of amother make, than is designated bey the lateot prier list, I reserve the right to refuse such order.
3. When, in the opinion of the (ompany, the general combitions of the hasinese in any part of the I Hited States or ( 'analat neressitate the sale of abs registers by said ('ompany through medimms other than ('ompany offices or regnlar sales agencos, you herely wave amy rlams to commission on ally sales an marle in soun teritory.
4. All ofters dakon lis you are to be subject to the apperoval ame acerptanoe hy satu The National Cash Register ( 'mmpany, as porided in my sales Ageney contract with said (ompany.
s. You agrod not to emter the temitory of any other sales agent of sald (ompany for the purpose of selling eash registars, or any other products listed herein, or to endeavor, diee dy or indienedy, tomakesales of eash registers, or other protincts. for nse outside of sour teritory ; but shonh a purchaser rall on you roluntandy and purchase a cash reqistar or any other protuct listed hemen for use outside of your trritory you are to beecive your proportion
of my commission on the money received from such a sale. When under like restrictions, as above provided, any other authorized sales agent of the Company sells a cash register, or any other product listed herein, to be used in your territory, your account is to be credited with your commission, less your proportion of the eommission paid the sales agent making the sale. On sales made by or with the assistance of a Company salesman (also on sales marle by or with the assistance of any Company representative, who enters your territory for the express purpose of closing or assisting in closing business) your arcount is to be credited with your commission, las your proportion of the commission retamed by the Company. These eommissions are subject to the same liability to be charged back against your aceount in case of nom-payment by the purchaser as in other cases. This arrangement applies not only to busimess procured at the time of the C'ompany salesman's visit, but also to all business subsequently procured by you, the Company salesman, or someone else other than the Company salesman, from concerns previously worked upon by the Company salesman, provided such business is closed within six months from the date of the Company salesman's last visit, even though such visit may have been during the oceupancy of this territory by your predecessor.
5. All clams for commission on stas of cash registers, whether such sales are made by you or others in your territory, and all clams of whatsoever kind, are hereby waved by you if not made within one year from the date of cancellation of this contract.
6. You agree that you will not under any circumstances give any part of vour commission to any assistant, local agent, or other person as an inducement for him to assist you in making a sale, without permission.
7. Should you absent yourself from your territory, without giving written notice to me in advance, you are not to be credited with the commission on any sales made in your territory during your absence.
8. Upon receipt by me from The National Cash Register Company of notification of the settlement of an account by cash or notes, you are to be credited on my books with the amount of your commission on such settlement.
9. In case the purchaser faik to pay any note, and your commission on the sale has been paid or credited to you, the commission on the amount of the umpaid note is to be charged back against your account.
10. . It orders for rash rexistors thall be taken on printod forms fomished me he suid ('monamy, which are to be refmen to me immediatoly after the signature by the purdhasers, and all comblitons amd eperial agreements *hall be moted thereon, it being momersood and agreed that sald ('mapatur shall in an way bo responsible for promises on emolitions mot perified on the orders. No registers ar suphies are fo be sold for more or less than the list priee extablished hy the (ompany, plas freight or express. If sad (ompany is obliged to make any conressions to costomers of athe expense is incurred by a violation of these refuirements, the atmonnt thereof may be elatrad by me to some aceombt.
11. Son are for colleet promptly amd fum over to the (oblecetion Department of this ofliee, at onee, all notes or areombs which may be waed in your hame for collection, whether the sald was madr bey you or mot.
12. Yon agree to make daily remittances to me of all rash reovirel for me or The National (ash Register Company, inelmbing monsy received for smplies sold and repairs made, in the mamer preseribed hy me, and in no event whall tou we any smon of money colleeted for me or said (ompany fo defray yom expenses or for any other purpose. In mo rase and moler no diremmstances shall you sign my name of said ('ompany's name; but, should a purehaser require a receipt for a cash or other payment, you will receipt to him in gom own mome as salesman.
13. I reserve the right to retain from the commission now the or hereater fo become due you the sum of clollars ( $\mathrm{S} . . . . . . . . .$.$) ),$ to be held as a deposit amd secmity for good faith on your part, abd to protered me agamet loss by reason of commissions charged bark agamst your account. In case of amy temmation of yom employment, the sum so withheld shall remain in my hands intil all registers, upon the sale of whirh you hate been aredited commissions, are patid for in full.
14. All attorners fees and eosts arising upon collection of the prices of registers sold hy you or reeovering possession of same chated to my aceount by said Company shall be divided bedween ns, amd you are to have charged to your areombt ber and pay the same proportion thereol as you rereive or would recoive of the full commision upon such salle. In case a cash register is shipped to a purehaser on all ordor procured by you and the purehaser makes no patment on same, fon are to pay four proportional part of the expres or freight charges
on the register, on the basis as atove stated. You are to pay your own expenses in attending on trials of cases whether you are remonsible for same or mot, if I so eleet.
15. You are to pay all your expenses, and muder no circumstances are you to represent The National Cash Register Company or me as being responsible for same.
16. In case of the termination of this contract for any canse, you hereby authorize me to pay and charge to your account your outstanding indebtedness, incurred in the mangement of said territory, hut I shall not be called on to pay said indebtedness unloss I shall elect to do so, and the payment of part of your indehtedness hey me shall not ratise any obligation on my part to pay the whole of said indebtedness. No assignment of your account or any part of it, at any time to be binding upon me unless such assigmment is areepted and acknowledged in writing by me.
17. In case this contract shall be terminated at any time I shall proceed to collect the notes and open accounts and charge back against your account the commission upon such notes and aceounts as I shall be mable to collect, together with your proportional part of the expenses of collection. This to continue until a final account can be stated, and no money shall be due you moder this contract until such a final aceomet can be stated.
18. It is mutnally agreet that all objections to monthly or other statements of aceome remdered by me are waived by yon, mbess written notier thereof reaches me within thirty days after rendition.
19. You agree, while operating your territory outside of your headguarters town, to carry with you on the road the full line of regular samples required hy the Company's decisions.
20. You agree that you will not purchase or deal in second-hand registers on your own aceount during the continuance of this contract.
21. You agree to furnish said Company and me with a fidelity boud in the sum of One Thousand Dollars (\$1.000.00) to be issued by a responsible surety company and conditioned on the faithful performane of your duties and to indemnify said Company and we from loss by reason of any wrongful act or acts on vour part in the position created by this contract. All premimms on this bond to be paid by you.
22. In the wase this contract shall be terminated at any time, you agree to immediatoly give or detiver
(6) me or to someone I mas dreighate, fossession of the promises yon maty orompe as all ollice at that time, and,


 persomal property resorls, abl tixtures herembefore
 af my rertion, rewalless of therembition of vour areount. The prier at which such ollae forniture, personal property, merords, and fixtmes shall be eredited or purchased, shatl ber the reasomatale value therent, but in mo ease shall it rexerd tot per eat of the last :pppatised value. Vhder no
 fixtures, on other permbal property withom first securing my consent to salid sale.
23. For any heakage of damame dome to my property of thr property of The National ('ash Register Company, while in your chater, gou are to be held responsible, and all losses sustamed bex sum breakage or damage shall be paldhe von.
24. Sour agree to kerp a list of probable purchasers, amb also a list of hase of National ( ash Reqisters in your topritory: Both lists to show the mame, business, and adderse of the merehant, and the users' list to show atso the strole amd factory mumber of each register in ase. You agree to keep both of these lists up to date by revising and adrling to same from information to be secared by fom daily work in form torritory. Thear lists shall be and remain the property of The National Cash Register ('ompans and shall be pelivered by you at any time to an aththorizel representative of sad ('ompany on demand or at the fermination of your contract.
25. You agere forend to me, at the end of each day, a list of all persons who were called on during the day by rou in the interests of the husinese: satid list to show each person's name, street address, dity, and business, and a brief statement of the ohjeet and result of sald call; all to be writen on tha form fumished be me.
26. It is momerstoorl amd agreed that this contract is a persenal one between as, and that The National Cash Rogister ('ompany is not to be held responsible for the parmont of amy eommassions or chateres falling due under it, amb all chams of liability of any kind against sad Compaty moder this eontrad are herehy waved.
27. Your contimuance in such agencer to end at the option of either party hy writen notice mated to the last koown address of the other.
28. This contract covers all agreements to date between us, and all other contracts or agreements of any kind are hereby anmulled and cancelled.
29. No alterations of or addlitions to the provisions of this contract are to be binding upon us unlese in writing signed by both of us.

> (Sales Igent)


## (silesman)

## Questions

1. Does this protect the company against the following contingencies:
(a) Suit for damages in case of discharge of salesman for not securing sufficient business.
(b) Suit for damages for discharge of salesman in case he violates policies of the company.
(c) Suit for damages for discharge becanse of automatic continuance of contract.
(d) Suit for commisions upon orders secured but not shipped.
(e) Suit for damages through discontinuance of product and issuance of instructions to sales force to stop taking orders for that product.
2. What changes should be made in the contract to make it suitable for salesmen operating on a salary basis"?

##  <br> 



 fatotorily. Analysis showed that, omt of the is salesmen, omly if wero what might be termed sumeresfal from


I bew : zalos mantage wis soremed and eonfronted with the problem of brimeing the forer mp to a profitable basis. He fommel that there were sereral ways of attacking the situation: he the nes of the foreed draft method, eommono in sellime one-time spereialties; by bolstering up the men with direet adrertising: or it was aren pessible to employ pate-setters who would go ont into a mans teritory and show him up. There were objections to all these plans. The first plat would not work out in this case, where men had tobuild for the future as well ataget the immediate order. The second platn was costly for the close matrein of profit in the product. The third plat was attended with the possibility of discouraging the foree, fostering jealousy, and braking down team-work.
sataries of the men were based. in a general way, upon the value of the salesman to the business. One salesman might hate an easy teritory and with equal effort get more sabary than another salesman making poor territory so far at the men could see, salary increases were largels a matter of how well they were regarded by the chiof oflieers. The new sales manager belieser that, if some sort of profit-xharing scheme combl be worked -ont to makr the men receive the prodit due thent frome everg transadion, the old-time vigor of the organization wombl be restored and suc(eese would be :lesured.
(Intestion
What should be dome.
*がales Mamagm, Jinnary, 1920; aho 1919, p. 121.

## Problem 274

## Method of Compenshtion

The Bragdon Adding Machine Company, with main sales offices in New York, has phaced sales in charge of a general sales manager under whom is an assistant sales manager in charge of domestic sales, an export sales manager, and an advertising and promotion manager. Under the domestic sales manager are district sales managers who have control of salesmen and local managers. Local managers are assigned definite territories in a district. The salesmen are of three trpessenior salesmen, junior salesmen, and adrance agents who are the new recruits to the sales foree and whose duty is simply that of arranging demonstrations for either the junior or senior salesmen with whom they work. The junior salesmen are those who have been promoted from the position of advance agents after serving three months in that capacity, and after a training course of from four to six weeks in the factory school of the company. The junior salesman works under the direction of a senior salesman or local manager in giving demonstrations and in instructing purchases in the operation of the machine. Little by little the junior is allowed to advance in his selling work until he can carry through a demonstration and close the sale. After three months or more of gradually increased responsibility, if successful, he is made a senior salesman.

Up to July 1921 , the compensation of the sales force was paid almost entirely by commission. Advance agents were paid a straight salary of $\$ 20$ or 825 a week. This salary was borne one-third by the company, one-third by the district manager, and one-third by the saleman with whom he worked. A junior salesman was paid in like manner, though his salary was greater. When a junior salesman was promoted to the position of senior salesman he went on a straight commision. Likewise, the local and district managers were paid on commission. The district manager received a commission of $35 \%$ on all sales in his district, out of which came the
commiswns of the local manager and senion salemen. The local manager was paid a $30^{\prime \prime}$ ", commiswion upen all saldes made from his offier. From this he paid the commiswion of salemmen muler him. The semior salesmen working in dities where no expenses were to be incurred exerpt (arfare got ent; within 12 miles of the lereal ofliee. Guteide the 12 -mite limit $25 \%$ was allower on sales to eover additional expenses. Each senion saleman bore all his own expenses. The local manager had to pay offier expenses from his commisson, while the district manager bore his personal expenses and the expenes of the diestret office. As moted, the salaries of advance agents and junior salesmen were borne in part by the satesmen and managers.

When businese conditions were good the plan was found satisfactory insofar as satisfaction on the part of salemen, local managers, and district managers was concerned. With the general business depression of 1920-21, however. expenses accumulated while sales steadily decreased. The management felt the necessity of changing its method of compensation.

## Quesliom

What systen of compensation should have been adopted".

## Problem 2 20.

## District sales Directors

With the development of the sales organizations, there is an constant temdency to cut down the territories assigned to saldemen. Frequently the smaller territories yield more business than the larger did. For much the same reasoms, some concerns adrocate fewer salesmen for the sales manager to look after. Without
cutting down the sales force, this implies that there shall be more sales managers or sales supervisors under the general sales manager's direction than there are now in most organizations. After giving the matter considerable thought and study, the sherwin, Williams Company is of the opinion that there should be a sales manager for every ten salesmen. The head of a prominent real estate organization has five supervising general sales managers under the president, five sales managers to each general sales manager, and ten salesmen to the sales manager. I large implement manufacturer sets eighteen salesmen as the ideal mark.

The Simpson Drug Company is a manufacturing wholesale-drug corporation with large plants located in New York City and sit. Louis. It has an extensive line of private brands, which are widely advertived; its goods are sold direct to drug retailers throughout the United states, the plan of exclusive representation having been adopted and successfully carried out. The general organization of the sales department is shown by the following diagram.


It will be noticed that the salesmen report to the manager of salesmen, who is responsible only to the general sales manager. The general sales manager and the manager of salesmen feel very strongly, on the basis of much experience, that it is impossible for one or two men to handle successfully 90 salesmen. Consequently, it has been decided to try out the plan
of distriet sates directors to be appointed from the ranks of the salesmen. The duties of the sales director are stated in alder from the general sales department to salesmem, as follows:
(1) It hate bern derded that in sarious parts of the combery wh will put in charge of eotain territories an experiened mperentative, who will be known as a sales Director.
(2) The salke Direeter will be in charge of sales in his district and answerable only to the salke Manager and will be hede strictly mesponsible by him for results in the territory:
(3) Mr. J. J. Fraser, mutil further motice, will represent at the Home Gffice the Rale Directors and will act as anotwewern in the dealinges that the Sates Directors have with the sarious departmental managers and will be bedd responsibla for resulte in his work by the Sales Manager.
(4) The faldes Directer will have lull charge of arranging and asigning of torritory to representatives in his district.
(i) He is to hire new men for his district and they can be sent into Boston for training, subject to the O. K. of the Sales Manager, and he can dismiss any man working under him, but he is expected to get the 0. K. of the Sales Menager before dring this.
(6) He is expected to meport at the Home Office any unsatisfactory work that is being done in his district by the representatives.
(7) Ho is expered to work with his vatious men in their respoctive territorges pending as much time with them as he deme advisable, and when with them, show how best to get rewte by working the more difficult aceomets.
(s) He is alser experted. when he considers it advisable, to go out and work individual accomots pervonally.
(9) Ite should call the men under him together at least every fie to 90 (lays, if advisable, and systematically work out a campaign for their next trip over their territory, sugesting seawable jtems to work on and planning the proper featuring of future merehandise.
(10) Ite is expectecl to take up promptly all matters alfeeting deaters or sepresentatives with the proper authorities at the Home Offies and is also expeeted to give prompt attention to all correspondence.
(11) All matters affecting the sales Department, either through poor service or fanly mamufarture of merchandise, should be taken up promptly.
(12) He is experted to send in suceersful sedting ideas used by his men or by our dealers in his district and is to work out different selling ideas with a view not only of selling merehandise, but ako with the thomght of helping our dealers dispose of the merehandise sold them.
(13) It is expected that he somel in a weekly report, showing in detal the work that he does and covering the general conditions in the territory which he has been working.
(14) Ite should receive from eath representative in his district the werkly experise areoment, ropy of route sheet and report of calls made, checking same as promptly as possible and sending to Home offiee the cheered expense accounts and reports of calls made.
(15) Sales Directors should sore to it that the representatives in their districts semd thern all initial orders for their approval and they should then forward same to proper destination.
(16) All applications for new agencies or suceessioms should receive the $O$. K. of the siales Director and be acted upon by him as soon as possible.
(17) All merchandise sold by the Sales Director shall go to the creclit of the representative in whose territory the order is taken.
(18) All business letters sent to siales Directors should be O. K.'d by Mr. Fraser, or in his absence by Mr. Bryant, and eopies of same sent to Mr. Fraser for reference. Mr. Fraser should also be immished with copies of all letters sent to representatives working under sales Directors, and he will be held responsible for the seeme to it that the lastmentioned eopies are forwarded to the proper sales Director. In the ease of all letters written to our dealers in territory that comes moler a District Manager, and where copies are sent to the representative working that territory, an extra copy should be sent to Mr. Fraser, who in turn will forward same to the sales Director.

Of the six sales directors so lar appointed, two have been placed in charge of five salesmen each, one in charge of six, one in charge of seven, and two in charge of eight. One of the problems comected with the adoption of this plan is that of retaming the esprit de corps among salesmen in a distriet, where one of their
number has been appointed sales director and has been given :uthority over them.

## (unestions

1. As general sales manager, write a letter which would satisfactorily explain the reasons for the move and secure the cooperation of salemen with the new sales director and the sales organization generally.
2. should these sales director: be rotated from one district to another".
3. Criticise the general plan of having sales directors.

In one of the districts in which there have been five salesmen, the district sales director recommends that two salemen's territories be divided and that two new salesmen be added. The salesmen, who work those territories at present, object to having their territories cut down.

## Question

How should the matter be handled?

Problem 976
Organizatiox for Field Supertision of Salesmen
The sales manager of the Ames Company, a Chicago dry-goods jobber handling dress goods, ready-to-wear, notions, knit underwear and hosiery, has become dissatisfied with the showing of his salesmen, particularly in hosiery and underwear sales. It seems that the salesmen, who are provided with samples and equip-
ment for handling all the lines of the company, prefer to sell dress goods and other lines which run into money more rapidly than the specialty or notion lines.

As an experiment, the sales manager hired a specialty salesman, gave him the samples and equipment for the sale of underwear only, and set him to work in the Pennsylvania and Ohio territory where the showing of the general salesman was particularly bad in hosiery and underwear sales. To the surprise of the sales manager, the sales of the specialty salesman were larger than the total general sales of the general salesman in that territory. The general salesman had all along been opposed to the experiment: when he saw the results, he claimed that he was being cheated and stated that he would quit unless paid commission upon all specialty sales.

The sales manager feels that one of two courses of action is open: either an adjustment of compensation so that commission is paid to both the general salesman and the specialty salesman (this would have a tendency to increase selling costs); or giving the specialty salesman much of the territory with carte blanche to hire an assistant or assistants to work the general trade (this is the course which the sales manager is inclined to adopt).

## Questions

1. Which plan is preferable?
2. What is to be said for the second plan?

## Pbobleva 277 <br> Mandemment of Subemen

The salde mamals of certain firms contain the following clatuse or its equivalent:

No order is to be aecepted or entered unless signed by an aththorized person of the company or firm ordering, or aceompaniod by a regular official confirmation. When an order is submitted by a salesman unsigned by the company or firm ordering, it must be aceompanied by an explanation from the saleman giving reasons why not signed, together with time, date, and place order was given to salesman: and when reecived at the factory, before being entered it must be approved by the general sales manager.

## Questions:

1. What are the purposes of such provisions".
2. Is it generally wise to issue such orders?"

Problem 278
Rating Employefo*
In a large Now York hank it was found that some systematic record of employees attaiments and performances must be liept as a means of enlisting the good will of employees.

Each emplower, upon entering into the service of the concern, is made acepuainted with the purpose and administration methods of the company and with the cards. He is also shown the qualities in which he is to be rated and what the rating scheme is.

Among the chicf cualities for which ratings are given are the following:

[^27]Accuracy and appearance of work<br>Amount aceomplished<br>Attendance and punctuality<br>Intelligence<br>Interest in work<br>Personal appearance<br>Quickness to learn<br>Speed and quantity of work<br>Tact<br>Trust worthiness<br>General value to the bank

Ratings are made every three months. Employees are given access to their own rating cards in some cases; in others, they are called in to interview the personnel officer as to where they stand.

## Questions:

1. Can this be applied to salesmen and branch managers?
2. Prepare a form in which proper weight is given to various qualities to be rated.
3. Would you suggest any other qualities than those mentioned?

## Probleal 279 <br> Salesmen and Credit Departaent

In the sale of automobile trucks the work of the credit department is especially important. Many men in the trucking business or those just starting in the business have but little capital. They com on making as large an initial payment as possible on a truck with the idea of settling for the remainder in monthly instalments out of their earnings. Often the first payment is only for one-third or one quarter the price of the car. The credit department must determine

Whether the prospective business of the man will be sulliciont to cmable him to meet the periodic payments.

In Jume last, the sales manager of the Dartmouth sales ('ompany, a sething corporation for Dartmouth trucke, learmed that three of the company's best saldemen located in three different selling branches had, from time to time, without the knowledge of the management, lowned small truckmen enough money to make the initial payments on the ears, so that the credit department of the Datmouth Company would accept the sales. The salemen took the misecured notes of these customers for their loans, for the reason that the company held mortgages on the trucks.

## Question

What should have been the action of the sales manager when he learned of this practice by these salesmen".

Problem 980

## Lndeodng Salesimen to Gell Higit-Profit Goods

In the manufacture of biscuits there is close comnection between raw-material prices and the prices of the finished product. In the Cartwright Company the purchasing department watches the market very closely and is (quick to take up any bargains offered. For example, the company may have an opportunity to purchase cocoanut under very favorable terms. such a purchate is made and the sales force is then called upon to dispose of the product made of that material. This results cither in giving greater profits to the company or allowing them to give a special stimulating price upon a particular line, by means of
what they call the "push" system. The main office and representatives of the purchasing, production and sales departments get together weekly and determine what kinds of crackers shall be pushed under the existing market conditions to show the best profit to the company. After this is determined, the salesmen are notified that the following week certain kinds of crackers will be push kinds. Salesmen are then expected to exert special efforts on these high-profit goods. While the salesmen do not receive any monetary rewards for exerting themselves on these items, the results show up on the reports and it is to their advantage to cooperate with the management. All salesmen are paid on a salary-and-commission basis for $95 \%$ of their income, while the other 5 e comes to them in the way of bonuses.

## Questions

1. Criticise this as a possible means of coordinating sales and production.
2. Under what conditions is the inducement here offered salesmen to exert special efforts to sell designated products sufficient?

## Problem 281

## Control of Salemaen

The Malaney Macaroni and Cracker Company, located in Omaha, Nebraska, handles a line of biscuits and crackers and several types of packuge macaroni and similar goods. The company follows the custom of most of its competitors in giving a large cash discount, namely $10 \%$, for payment within 10 days, but ordinarily the discount is allowed if payment is made

When the traveling salemen visit deatere on the next trip after orders have been delivered. Calls are made upon fustomers exery there weeks. It is customary for the company to assign quotas for biscuits and to establish from time to time reetain deals or special offers, including goods which the firm desires to have salemen pusth. The following shows the reeords of the salesmen as to pereentage of guota attaned during the year to date (to July 1), number of new accounts secured by earla saterman during Jume, the number of cases of matearoni sold during June, the amounts of June sales ontstanding and still uncollected by salesman on July 1, finally the sales by salemen of two special deals:

Perchatage of (qoota Attaned Dering Year to Date
Lee............. $95^{-\pi}$ Wallare......... $70 \%$
Stockwell...... 110 Dempsey....... 82
(obh........... $\boldsymbol{\text { si }}$ Porter........... 95

Kincaid........ st Walcott......... 89
Trott.......... 9. Mathaway...... 70
Frye.......... 125 Crowley........ 89
Hering.......... 90 Eldridge......... 12
Seymour...... 95 Beeman........ 95
Littlefield...... 115 (ioller........... 102
Newport....... S2 Ginest........... 45
Snow......... 90 Hare............ 75
Patten......... S1 Ham........... S0
Englen........ 40 Wood............ 78
Johnson........ 90 Mean........... 45
Winton......... 65


Nember (’ase Macaron Sold During June
Lee........261 Crowler.... 199 Patten.... 162

Hering.....234 Ham....... 174 Stockwell.. 147
Mean......215 Cobb......165 Johnson...133年

| Dempsey. | 122 | Littlefield.. . 69 | Beemian . . . . 43 |
| :---: | :---: | :---: | :---: |
| Porter. . . |  | Snow . . . . . 64 | Englen. . . . . 33 |
| Frye | . 103 | Wood. . . . . 59 | Winton.... 23 |
| Kincaid | . 100 | Newport . . . 54 | Hathaway . . 22 |
| Wallace | $93{ }^{\frac{1}{2}}$ | Wendell. . . . 52 | Trott. . . . . . 13 |
| Hare. |  | Goller . . . . . . 46 | Norbert. . . . . 13 |
| Walcott | 86 |  | (imest. . . . . . 10 |
| Percentage of June Sales ['Neollected |  |  |  |
| Lee. | $.26 \%$ | Snow . . . $900_{2}^{1 C_{c}}$ | Crowley. . 106\% |
| Stockwell. | . 57 | Patten . . . $91{ }^{\frac{1}{2}}$ | Eldridge. . 108 |
| Cobb | . 63 | Englen. . . . $91 \frac{1}{2}$ | Beeman. . $111 \frac{1}{2}$ |
| Kincaid. |  | Johnson . . . $944^{\frac{1}{2}}$ | Coller.... 112 |
| Trott. | . $66{ }_{2}^{1}$ | Wallace . . $966^{\frac{1}{2}}$ | Cuest. . . 113 |
| Frye. | . 83 | Dempsey. . 97 | Hare. . . . 113 |
| Hering | . $86 \frac{1}{2}$ | Porter... . . $97{ }^{\frac{1}{2}}$ | Ham. . . . . 122 ${ }^{\frac{1}{2}}$ |
| Seymour | . $88_{2}^{1}$ | Walcott . . $98 \frac{1}{2}$ | Wood. . . 141 |
| Littlefield. | . $88 \frac{1}{2}$ | Hathaway105 | Mean. . . 141 |
| Newport. | . $89 \frac{1}{2}$ |  | Winton.. 174 |


| Number Spectal Deal No. 1 Sold |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Johnson.... $50 \quad$ Goller....... 21 | Newport. . . . 9 |  |  |  |

Hering..... 45 Woord....... 17 Wendell...... 5
Hare........ 37 Mean....... 16 Hathaway.... 5

Ham........35 Walcott..... 14 Beeman...... 5
Littlefield....34 Winton...... 13 Englen....... 4
Manley.... 34 Stockwell.... 11 Trott........ 3
Frye........ 28 Porter....... 11 Patten....... 1
Kincaid.....24 Dempsey.... 10 Snow........ 1
Number Speclal Deal No. 2 Sold
Johnson (dark Goller....... 20 Stockwell..... 5
horse)... 128 Walcott.... 18 Norbert...... 4
Littlefield...105 Wendell.....15 Wallace...... 3
Frye...... Sij Kincaid.....11 Beeman...... 2
Wood..... 65 Winton..... is Manley...... 2
Mean..... 53 Patten..... © Snow........ 1
Newport... 30 Dempsey.... 6 Crowley...... 1
Ham. . . . . . . 20

## Question

On the basis of these records, what conclusions, if any, may be drawn as to the relative value of the salesmen to the house?

The limerick shoe ( ${ }^{\circ}$ ompany selling a high-grade shoe has a domestio salos forer of forme en men. They are paid an ammal salary and expenses. Jn the past, when these men were not neaded on the road, they hate as a rule been allowed to remain idle. sometimes in the off seasoms a few hase been employed in the developmont of new lats. The same condition exists at the present timar, athough the tendency in the shoe industry is to inerease the length of the selling season. shoe mamblacturers are largely at the merey of trade customs in the matter of length of selling season, though certain meatures can be taken to eliminate partially seasonal peaks. In the past it has been the ('ustom to send salesmen on the road for spring season about september 15 . sales conventions are usually held just before the sales trips: for this reason, it is a decided adrantage to have salesmen get in and out at the same time. It affords the best chance for raising the esprit de corps of the fore . The eompany wishes to keep the lines miform. It is desirable to make up the samples carried by salesmen as late as possible. Thus, in determining the line to be carried, the company has an adrantage if its salesmen start even later than september 15. In the past year or two, it has been fomm possible and profitable to send salesmen out the latter part of July on a trip lasting until October 1 to make sales whieh were lost on the earlier trip. The plan has been to have the foree come into the Boston office about the first of October for a convention and to start the men on a spring sales trip October 10 .

It has developed that business conditions in the southern territories ares so bad that it will not pay to make the "in-between" trips there. Unless salesmen are on the read by keptember 15 , orders camot be filled in time for southern dealers for the spring trade. If the southern salesmen are sent out early. they miss
the convention. Mso, by sending them out early the company is forced to lose the advantage of determining the line as late as it would otherwise.

## Question

What should be done under the circumstances."

## Problem 983

Mandgement of Shesmen-Trial Orders
The branch manager for a mechanical equipment house, which does business in all parts of the country, in examining the daily reports of his salesmen, found the general tenor of remarks was as indicated by the following extracts:

Purchasing agent has ample supply of small tools at the present time, but agreed to buy a small quantity of ours and make comparisons.

I could see that Mr. White was greatly impressed by my talk upon belting, and he is going to use ours on one battery of machine tools to see how it stands up.

These people certainly gave me a nice hearing. I feel that they are trying to be entirely fair. They finally gave me an order for one package, which they will watch very closely for results.

This account is a hard nut to crack, but I made up my mind not to give up and tollay I kept my foot on the door until I got a tryout order, which I am confident will lead to more business.

I made a long and careful canvass for their mechanical supply business, but of course I could hardly expect a big order from them the first time.

## Question

What conclusions, if any, are to be drawn from these reports".

## Pbobman ext. <br> 

I (omm)any mannfadmring writing inks and adhesives pats its sales foreo almost entimely on the basis of salary alld arthal rxpenses, expording tharefor to secure the expluse serviex of the saldemen. Rerontly, the sales manager fearmed that one of his salesmen sold a rastomer an order of allied but mom-competitive goods. luguiries were made of the salesman and he replied that he did it as aservere to another salesman, who was taken sick in the fown where the sale was mate before visitine all the trathe in that town.

## (Duestions

1. What shomld the sales manager do.
2. Under what conditions, if any, is it advisable for a sales mamager to permit the salesmen to carry sidelines."

## Problem 985 <br> Intensive Use of Sales Force

I manufacturer of men's shirts, whose salesmen called upon dealers every sixty days, as is customary in the trade, derdeded to donble the number of calls. Termories were cot in half, and the sales force was dombled. For a period of six months, sales records show that the increase is no greater than normal.

## (Question

What reasoms might be assigned for such a result".

## Problem 286

## Drawing Accounts

The Wright Billing Machine Company has its offices in Detroit, Michigan. Its organization is similar to that of many companies selling office appliances. Under a sales manager are district managers in charge of local managers and salesmen. The local managers supervise the work of senior and junior salesmen, subject to the direction of the district managers. The senior salesmen are on a straight commission basis of payment, receiving $20 \%$ on sales in territory within a 12 -mile radius of city branches and $25 \%$ in territory outside. Senior salesmen pay all of their own expenses, but are given a drawing account by the main office.

In June 1921, and previous thereto, it was the practice of the company upon promoting a junior salesman to the position of senior saleman, to grant him a drawing account up to $\$ 50$ a week which was allowed until he was able to carry himself by his commissions. The drawing account was charged gradually against the commisions due him.

During the dull period of business from July 1920, to July 1921, the Wright Company continued to extend its sales organization in the face of the depression, with the result that its business was well maintained in comparison with that of other manufacturers selling similar products, but the sales of individual salesmen were far below those of the preceding years. Further, the new salesmen were especially weak in getting business during this period. some salesmen, as a result of unusually adverse conditions, overdrew their accounts to such an extent that it would have taken them from one or two years to wipe out their debit balances, even with a return to normal conditions. The indications were that these men, with an increase in experience, would be desirable salesmen. Some of the overdrawn accounts were those of local managers in charge of local offices. These men were allowed a commission larger than that of senior salesmen not in charge of offices, but from it they had to pay office
expenses. some of these local managers had senior salesmen working under them, upon whose sales they


It a committer moeting of the sales managers in the main office in July 192? , comsideration was given as to how to treat the onerdrawn areounts.

## (Questions:

I. Nhould the company have taken a loss outright by wiping off the dohit balances standing against salesmen and local managers:
2. Should they hatrodopted a policy of making the saleemen pay off the amount owed, gradually, or should they have adopted an intermediary course of reducing the ammont dues.

Problem 287

1) ally Reports of Salesmen

The Fowler ('ompany, selling a food product, requires of its salemen daily sales reports in which are given salesman': name, date, time of first call, time of last call, amount collected. The towns made are then listed with the number of calls in each town, number sold in each town, and new accounts. Expenses are also given, it mized as railroad fares, meals and lodging, telephone and telegraph, bus and strect-car fares, team and drising, sundries, gas and oil. On the reverse of the report are space for statement of sales made according to varieties with a special statement for "push" kinds wold, or brands which the sales department has asked alaben to push during the week.

I drug company aks for a much simpler report giving date, name of customer, town, state, place
where order was sent (since company sells through branches), initial order or prospect, whether or not sale was made and if not, why? One copy is sent to the headquarters and the other to the branch office.

## Questions

1. Under what conditions are these reports sufficient for satisfactory control of salesmen?
2. When are they unsatisfactory?

## Problem 288

Supervision of Salesmen's Expense Accounts
The Stanley Wise Hardware Company of St. Louis is engaged in the wholesale hardware business and sells its product throughout the Mississippi Valley. In the management of salesmen a good deal of trouble has developed because expense accounts of salesmen seem to have been such as to perceptibly increase selling cost. The supervision of salesmen's expense accounts has been extremely lax and nothing definite has been done except to provide small books for memoranda.

The sales manager of the concern has made an inquiry among other sales managers in regard to salesmen's expense accounts and learns that there is a considerable difference of opinion both in the methods of supervision and in the theories upon which supervision is based.

One sales manager declares it unwise to require a closely itemized return. It is contended that, if salesmen cannot be trusted, their comection with the company should be severed. A report which gives railway expenses, hotel expenses, and miscellaneous is sufficient, and even this should be required only about once a month. It is further stated that to be petty annoys a
good salesman and impaim his value more than could pessibly be gatued be detailed supervision.

The opposite opinion is experssed by another, who flams that ryperse aceomes should be given in detail and that the list of expenses which will be allowed by the comp:ay should be clearly understood before the saldemath gres out on his trip.

I third sales mamer declares that, if the report form is so organized as to require salewnen to place expenses and sale side bey side :and to require them to figure out the pereentage of expense to business, a moral check is set which is more valuable and much less ammexing than close supervision.
still tumther sales manager checks up his reports by figuring for each saterman the actual number of days traveled and computing the aremges for hotel expense, railroad expenses, ete. On the basis of previous experience, by this method a discrepancy can be quickly detected through variation from the general average.

It was the opinion of the former sales manager of the stanley Wise Hardware Company that expense accounts should be very carefully supervised, that they should be paid immediately in order to avoid hardship, then checked carefully.

## Question

What plan should be adopted"

## Problem 289 <br> Use of Automobiles by Salesmen And Brancif Minafers

In view of the increases in railroad rates, many firms are considering the use of automobiles for their salesmen in making calls. A soap company having national distribution with about 100 salemen, in investigating the matter, finds that there are two general methods used in supplying cars to salesmen. One is for the company to purchase the cars outright, retaining property in them, but giving the use of them to the salesmen. In this case the company pays all expenses of upkeep and ruming, as they would in any other form of transportation.

The other plan is for the company to buy the cars and resell them to the salesmen on a time-payment basis. The expense chargeable to the house is met by a fixed weekly or monthly allowance. One company requires an initial payment of approximately $25 \%$ of the purchase price, the balance to be paid in weekly instalments of sufficient amounts to take up the entire balance within one year from date of purchase. In case a salesman resigns before completing payments, he either pays the balance due the company or arranges to sell the car to the best adrantage: and, if the amount received exceeds the amomt due the company, the salesman is given the balanere.

Another company purchases the cars and resells them to the salesmen on an instalment basis, and each salesman is allowed s500 operating expenses. The salesman pays this amome and it is credited to him on the payment of his car.

Still another company buys and remells the cars on $\$ 20$ a month instalments, which are deducted from a monthly expense allowance of $\$ 50$.

When companies own machines, the nsual practice is to have each alemman give a daily or weekly report of expenses, in the same mamer he would in riding on the train, and the company pays all expenses. Armour © Company and the Barett (ompany use this plan.

## Questions

1. What are the advantages of each plan?
?. Which wemld be advisable for adoption by the soap eompany deseribed in Problem No. 30?
2. Would it be neressary to revise satesmen's territores given in Prohlem No. 97 if automobiles were adopted".
3. Would it be wise to allow salesmen to route themedues.
4. should a monthly, weekly, daily or mileage allowance be adopted"
5. Should branch managers be treated differently from salesmen in regard to automobile expenses"?

## Probley 990

Control of Silesmen's Automobile Expense
Business concerns which undertake to pay the expenses of salesmen have not infrequently encountered difficulty in satisfactorily controlling expenses, when some or all of the salesmen are using automobiles for calling upon the trade. I company selling a widely adsertised safety razor provides Franklin cars for a number of its sale wnen, who make the outlying districts. It requires of the users a weekly report, giving the daily (ash expense and the amounts charged for the following items: garage rent, gasoline, oil, washing car, repairs, new parts, acecsorice. The company furnishes all the tires and imer tubes, which are purchased in quantities. On the report is alise recpuited the meter-reading Monday morning, the meter-reading sunday evening, mileage for the week and for each day, total miles covered, persomal mileage, gallons of gasoline purchased,
and names of towns not visited last year by company's representative. At the bottom of the form is the statement: "Please charge me with ........ miles at 5 cents per mile used in personal service" with space for salesman's signature. On the reverse of the form are instructions for filling out automobile expense accounts, as follows:
(1) Reports should be filled out in duplicate, one copy to be mailed to Cleveland at the close of each week and one copy kept with the salesman, so that he can answer any inquiries direct from copy of report.
(2) It is important that each item be entered in its proper place in the report.
(3) Receipts should be secured for all expenditures of $\$ 1$ or over and attached as vouchers to this report.
(4) In order to know the exact company cost of operating the car, personal mileage (if there should be any) should be stated with the greatest degree of accuraey.
(5) We ask you to make your report complete and accurate to save correspondence.

A second company, likewise with a national distribution, encourages the use of Ford cars. After considerable experience with various methods of control, the following plan has been adopted. The company sells each salesman a machine or allows him to buy his own machine, adrancing not over $\$ 800$ to be paid back within at least 15 months. If the man is on a commission basis of payment, he pays all his own expenses. If he is a salaried man, the company allows 10 cents a mile for ruming his car. The mileage allowed is checked on the map on the salesman's territory for the shortest rumning distance between points. Eight hundred miles a month are allowed each salesman for the distance traveled within town limits. The management leaves it to the salesman to state the mileage used within a city's limits. On an average, between 150 and 200 miles a week are reported.

## Question

Which of the two plans would be suitable for the company described in Problem No. 239?

## PKoblen e91 <br> SUEG (ONUENTHN:

The Mitchell Typewriter (ompany has its main sales offices in New lonk (ity. It has, throughout the United states, approximately 100 branch offices and a lorer of eot senion salemom, bexides a large mamber of jumior salkemen. 'The poliey of the Mitchell (mompany has been to hold an ammal sales convention in Xew York, to which all senior salemen hate been brought with all expenses paid. Such conventions hare been thonght well worth while because of their inspirational vahe and because of the educational work which has been rarried out at such meetings. In 1921 , the sales of the company had fatlen off materially. The finances of the company were in good condition, but eemomy was being practieed throughout the organization.

It a committee meeting of the general vales manager and his asistants in July 1 ! 2 2, the matter of holding a national combention in the fall was disensed. There was a division of opinion as to what comre should be pursued. some favored elimination of the national concention that rear becaluse of the great expense entailed; others maintained that the national convention would be of expecial vatue at that time as an aid to bolstering up sales. It was suggested that division confereneses should be substituted for the national consention. The officers had had no experience with district conferenees, but knew that manufacturers of other product- had used them with apparent success.

## Questions

1. Should the Mitchell Company have omitted its national convention when sales were not good?
2. Should the company hase permanently substituted district conventions for national conventions?

## Problem 290 <br> Sales Contests

Many sales managers believe that contests among salesmen are necessary from time to time in order to develop a healthy interest and rivalry. Other sales managers have had disastrous experience with sales contests, because they develop jealousy instead of healthy rivalry and the subsequent performance of the sales force as a whole is less satisfactory than before the contest was staged. If it is decided to put on a contest, the sales manager has to take care that he avoids the pitfalls into which many apparently well-plamed selling plans of this kind have fallen.

The sales manager of the Warden Company of Troy, New York, a firm manufacturing a line of men's collars and shirts which are widely advertised, wished to stage a contest among his salesmen during 1921. It was suggested that money prizes be offered on the basis of greatest accomplishment for the firm: this was to be judged by the volume of sales, number of new agencies established, cooperation with advertising department in distribution of dealer helps, general value to the business as rated by a committee of sales executives. Two prizes were to be given in each territory and one larger prize to be given to the leading man in all districts.

## Question

What must the sales manager do in order to work out this plan satisfactorily?

## PART VII

CONTROL OF SALES OPERATIONS

## PART VII

## CONTROL OF SALES OPERA'IIONS

OLTLINE
A. Neckesity of Controb.

1. Requisites of satisfactory control shistems.
B. Methods of (ontrol.
2. Reports and reeords.
3. Control officials.
4. (imaphic methods of sales rometrol.
(.. Reports.
5. Report- of salesmen, agents, representatives.
6. Reports of field and district offices.
7. Reports of sales exereutives.
8. Reports of outside agemares.
1). General Recobdo.
9. Statistical recome mating to rastomers, prospective "hstomers, amb eales varionsly classified aterording to products. termories, classes of buyers, ote.
10. Records relating 10 performance of salesmen and other members of salds force acrording to individuals, districts, ate.
11. Records beating upon athertising: control and result~。
12. Records of orders. deliveries, and shipments.
13. Records or persomel.
(a) Ratings, application blanks, interview hlanks, ette.
(b) Individual performance data.
(c) (ieneral data.
E. Methods of Mandling sales Records.

## GENERAI, QLENTIONS*

## d. Neressity of Control.

What are the requisites of a satisfactory system of control of salesoperations? Where necessity for a system of control ontside of that furnished hy accounting systems?
B. Memthons of ('antroh.

What wepote and rewords can be used for the control of salese" should the "omtrol of sales operations be the finction of any singh officiat or not? In what way can graphie methods be med in sales contern?" What should the the matme of reporte of salesmen, agents, and represontatives? What reports should the sales executive prepate for alministrative officers? What type of reports Whombld be secured from agencies outside the business? What are the soures of the following records and why should they be used in controlling sales: (a) records relating to customers; (b) records of prospects; (c) sales classified according to products, teritories, classes of huyers, ef cotera; (d) records relating to the performance of salesmem and other members of the sales force, giving sales acomding to individuals, districts, lines, et cetera; (e) records dealing with advertising, showing returns from advertising, expenditures, at ceterat; (f) records of orders, doliveries and shiphents; (g) statements of budget extimates as to sales, production, stocks, et cetera; (h) records of persomel, such as application blanks, interview banks, letters, ratings, individual performane data?

## 

What itcms should properly enter into selling cost? How can standards for varions items of selling cost be determined".

[^28]
## Problem 993

## Sales Records

It has been stated that business men feel they should have information under the following headings in order properly to control a business:*

1. Running inventory of stock; by selling price; by quantities; purchases; "used" or sold; balance on hand by departments or lines; by percent of sales.
2. Sales (total; by department; ; by lines; by salesmen; by territories; by percentage; by discounts taken).
3. Profits or losses (by departments; by lines; salesmen; percent; discount taken).
4. Costs of doing business (total; departments; kinds of expense; amount ; percent sales or cost).
5 . Collections (total; percent of sales; territories).
5. Outstanding obligations (total; percent of sales; territories; overdue).
6. Goods returned (total; lines; territories; percent of sales).
7. Balance sheet.
8. Financial summary (statement of operations).
9. Trade and business conditions (crops; money market; inventions; development of new trade customs; styles; transportation; weather).
10. Efficiency of employees (by profits; percentages on standards of work or conduct ; and complaints).
11. Advertising (total; departments; media; results).
12. Cash (reccipts; disbursements; anticipated payments).
Sherwin-Williams P'aint Compeny, Srstem, May, 1920; Journal of Accountancy, June, 1920, Accounting Measures to Mcet Depression; Journal of Political Economy, November, 1919, Accounting as an Administrative Aid; the following articles in P'rinters' Ink: July 28, 1921, A Monthly Photogreph of Supply and Demand; January 20, 1916, Graphic Sales Pictures that Analyze the Business. The student is also advised to consult general works upon business organization mentioned on page 29 foot-note.

[^29]14. Rate of turnover (on total business; by departments; lines; mumber of day sates on ledger).
15. Production (by ammont fimished, mader way and not stapted; time lost; be total cost; by unit cost; by labor cost dired and owerhead; by material (ost; by"overheral").

## (bnestions:

1. How much of this information is properly colleeted by the sales department".
2. How much is of interest to the sales department?
3. What items are essential to proper conduct of sales activitics?

## Problifal 294 <br> Sales Expense

A sales executive, as wedl as other executives interested in the general aspects of an enterprise, is interested in keeping solling rosts at the lowest point consistent with the desired volume of business and net profits. In order to ascertain when and why selling cost is satisfactory or unsatisfactory, some method of comparison is necesatry, hat comparison is difficult because of the various items which are included by some concerns in selling costs and not included by others. Among these items are the following:
deconnting (lopartmont
Idjustments
Idvertising
Association durs
Auditing dopartment
Bad debts
Billing department
Branches: salaries, momissions, bommes, expenses Dealers' eommissions

Comvassing
Charity
Collections
Couporis
C'ost and inventory
Credit department: salaries, axpenses
Dead stock

Demonstrating
Designing previous to sale
Developing department
Discounts, sales
Education work: sales
schools, etc.
Entire overhead
Exhibits
Expense operation automo-
biles and depreciation
Export commissions
Export freight
Foreign selling
Free goods
Freight and cartage
Insurance
Janitor
Legal expense
Losses on restaurant
Mail-order department
Marine insurance
Mercantile reports
Office rent
Order department
Paymaster
Postage

Profit-sharing
Proportion of overhead
Royalty
Rental
Sales conventions or conferences
Sales department: salaries, expenses, bonuses
sales mannal
Salesmen's liability and insurance
Salesmen's salaries, commissions, bomuses, expenses
Service and refinishing
special advertising for local dealer
Stationery and supplies
Stenographic department
submission expense
Tabulating department
Telephone and telegraph department (selling)
Trade aid
Traffic department
Welfare department

## Questions

1. Which of these are properly chargeable to sales expense?
2. Which are common to all sales departments?
3. To what extent does the nature of the business affect the inclusion or exclusion of the various items in selling expense?

## P16nB1，F：M 095

## ＇Total Smbleg Experse

The Maxwell（ompany has operated a wholesale grocery business in Maxwell，Ohio，since 1909．In 1920 the company employed 30 salesmen，and its net sales amomed to $82.735,621.38$ ．Mr．Arthur Stubbs joined the company in 1910．He was promoted to sales manager on Janary 1，1915，and has held that position for the past five and a half years．

During July，1！ 21 ，Mr．Stubbs received a bulletin issued by the Harvard Bureau of Business Research， Harvard Cuiversity，that gave the results of a study of operating expenses in the wholesale grocery business in 1920．Upon examining this bulletin Mr．Stubbs found the following tables：

TABLE I
Operating Expenses in the Wholexale Crocery Business in 1920）by Foderal Reserve Districts．Net Sales－ $100 \%$

| $\begin{aligned} & 5 \\ & \frac{5}{3} \\ & 2 \end{aligned}$ |  |  |  | $\begin{aligned} & \text { 号 } \\ & \text { E } \\ & \text { 总 } \end{aligned}$ |  | 总 |  |  | 票范 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Number of Firms ．．． 19 | 23 | 14 | 30 | 27 | 21 | 58 | 33 | 23 | 35 | 11 | 24 |
|  | $2.1 \%$ | $1.5{ }^{\circ} \mathrm{C}$ | 1.7 | $2.0{ }^{\circ} \mathrm{C}$ | 1.9 | $1.9{ }^{\text {r }}$ | $2.5 c$ | $2.4{ }^{\text {c }}$ | $2.5{ }^{\circ}$ | $2.1{ }^{\circ}{ }_{0}$ | 1．9\％ |
| Idvertising ．．．． 0.0 .5 | 0.05 | 0.06 | 0.01 | 0.03 | 0.03 | 0.04 | 0.05 | 0.06 | 0.08 | 0.03 | 0.05 |
| Other selling ． 0.05 | 0.04 | 0.01 | 0.03 | 0.01 | 0.0 .5 | 0.05 | 0.06 | 0.09 | 0.04 | 0.04 | 0.07 |
| Total selling． 1.9 | 2.2 | 1.9 | 1.9 | 2.1 | 2.0 | 3.0 | 2.6 | 2.6 | 2.7 | 2.2 | 2.0 |
| Wazes of Receiving and shipming force 1.4 | 1.1 | 1.5 | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 |
| I＇acking Cases and Wrap－ pinges 0.0 .5 | 0.09 | 0.03 | 0.05 | 0.0 .5 | 0.02 | 0.05 | 0.06 | 0.06 | 0.03 | 0.01 | 0.03 |
| Outward Freight，Expres： and Cartana ． 0.9 | 0.3 | 0.5 | 0.1 | 0.3 | 0.4 | 0.1 | 0.3 | 0.2 | 0.4 | 0.4 | 0.5 |
| Total Receiving and Shipping． | 1.5 | 2.0 | 1.7 | 1.1 | 1.5 | 1.6 | 1.1 | 1.3 | 1.6 | 1.5 | 1.6 |
| Executive Ealaries In－ cluting Buydus） 1.19 | 1.0 | 1.1 | 0.8 | 0.8 | 1.1 | 0.9 | 0.9 | 0.9 | 0.8 | 0.9 | 0.7 |
| （）htice salaries ． 0.4 | 0.7 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 |
| （Hflice Sujphies and Poxt－ are | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Telephone d＇elegraph 0.01 | 0.03 | （1．1）． | 0.03 | 0.04 | 0.04 | 0.01 | 0.05 | 0.05 | 0.01 | 0.04 | 0.06 |
| （realit and Collextion－0，02 | 0.03 | 0.03 | 0.02 | 0.06 | 0.05 | 0.05 | 0.04 | 0.01 | 0.03 | 0.04 | 0.03 |
| （Hher Buying de Manake－ ment． | 0.1 | 0.04 | 0.03 | 0.1 | 0.1 | 0.1 | 02 | 0.3 | 0.1 | 0.2 | 0.2 |
| Total ditto ．．．．． 2.0 | 2.1 | 2.2 | 1.8 | 1.9 | 2.3 | 2.1 | 2.3 | 2.3 | 2.0 | 2.2 | 2.0 |
| Rent．．－．．．．0．1 | 0.1 | 0.5 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.4 | 0.2 | 0.5 | 0.4 |
| Ileat，Light and Power． 0.06 | 0.07 | 0.06 | 0.05 | 0.01 | 0.04 | 0.00 | 0.01 | 0.07 | 0,05 | 0.04 | 0.03 |
| Taxes execpt on build． ings，income，and prolits） | 0 1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 | 0.3 | 0.4 |
| Insuranme reverpt ot buildings： 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 |
| Reparis of Equipment 0．07 | 0.02 | 0.11 | 0.01 | 0.05 | 0.08 | 0.06 | 0.07 | 0.07 | 0.05 | 0.02 | 0.03 |
| Depreciation of Equip－ ment． | 0.2 | 0.3 | 02 | 0.2 | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.3 | 0.1 |
| Total Interest $\quad 1.5$ | 1.5 | 1.5 | 1.1 | 1.6 | 1.6 | 1.5 | 1.5 | 2.3 | 1.9 | 2.2 | 1.6 |
| Toial Fix．l Charmes \＆ 1jkeep． | 2.1 | 2.5 | 2.1 | 2.7 | 2.8 | 2.4 | 2.6 | 3.5 | 30 | 3.6 | 2.7 |
| Merillameors． 0.2 | 0.1 | 0.6 | 0.2 | 0.3 | 0.4 | 0.2 | 0.2 | 0.3 | 0.2 | 0.4 | 0.2 |
| Losise from Bad Dehts ． 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.3 | 0.1 | 0.4 | 0.3 | 0.2 | 0.7 | 0.2 |
| Toutal lixpense．．．．．．．．9．3 | 8.1 | 9.7 | 8.0 | 8.6 | 9.2 | 8.4 | 9.5 | 10.3 | 9.7 | 10.6 | 8.7 |

After reading the bulletin, Mr. Stubbs requested their head bookkeeper to draw up for him their total selling expense for the year 1920. He instructed the bookkeeper to include only those items shown on the standard profit and loss statement used by the Bureau in making its study.

The bookkeeper submitted the following table to Mr. Stubbs, stating that in accordance with the Bureau's method the percentages shown were based on net sales as $100 \%$.

$$
\begin{aligned}
& \text { Total sales force expense .... } 4.56 \% \\
& \text { Advertising. . . . . . . . . . . . . . . } 19 \\
& \text { Other selling. . . . . . . . . . . . . . } 01 \\
& \text { Total selling. . . . . . . . . . } \overline{4.76}
\end{aligned}
$$

Question
Would comparisons of the figures submitted by his bookkeeper with those published by the Bureau lead to any conclusions?'

Problem 996
Figuring: Mark-up
C. F. Dunbar, the sales manager of the Johnsville Company, has received several complaints from his salesmen because of the gross profit that the company offers wholesale grocers. The Johnsville Company produces a breakfast food which is nationally advertised and distributed through a national selling organization.

Mr. Arthur smith, one of the salesmen, has reported that three of his customers have stated that their average cost of doing business was $9 \%$ of net sales, and that the margin of profit allowed by the Johnsville Company was not sufficient. This salesman states that
he has told them that for every $\$ 10,000$ purchase they are making a gross profit of $\$ 1,000$, and that as their cost of domg business is ? the leaves them a net profit of 8100 on every thousand dollars of their product purchased. 'The wholesalers have replied that Mr. smith is not figmomes operating expenses and net profit on the same basis. 'lher state that, when they use the expression "Gr", to do business," their percentage is based on not sales and not on cost of goods sold, or purchased. Mr. Smith says that he has pointed out to these wholesalers that the average turnover for their product is 20 timos a yoar, and that when they are allowed a matrk-up of 100 with operating expenses of oce they obtain a net profit of er ${ }^{\circ}$, a year. This the wholesalershave violently disputed, asserting that their net profit based on the percentage of sales remains the same irrespective of the rate of stock-turn. Mr. Smith has admitted to Mr. Dumbar that he cannot answer these arguments and has asked for advice. He wishes to know whether or not the arguments he has been using are sound.

## (uestion

Has Mr. smith correctly answered the points brought out by the wholesale customers:"

Probbeal 997
(oontrol in the Wioleshle Dry Goods Business
The (ib)s-Aloore Dry (ioods ('ompany of New York is a jobbing house specializing in hosiery and underwear. Approximately $75^{-7}$, of sales are confined to the eastern states, while the balance is distributed throughout the entire United states. The organization is headed by the president, moler whom are the treasurer, credit manager, sales manager, and 10 department managers.

Prior to 1921, each department manager had charge of the buying for his department, subject to the supervision of the treasurer and president. Each, however, was allowed almost free rein as to the quantities of goods purchased. In general, two distinct methods of purchasing were employed: 1. Orders for staple merchandise were placed far in advance of the season, as long as eight or nine months. This held true for such products as hosiery, underwear, and gloves. Further orders were made during the season as sales seemed to warrant. 2. Orders for goods affected by style changes were placed shortly before the begiming of the season and in quantities during the season. Past records and present tendencies were used as guides in buying this type of merchandise.

Though the company had the rudiments of a good system of coordinating purchases and sales, the methods had never been perfected, so that overstocks and shorts were of frequent occurrence. Upon examination, it appeared each buyer was allowed to use his own judgment in placing advance orders, with the result that these were sometimes too large for a season's needs, while the financial demands arising from these orders strained the company's credit. Furthermore, no satisfactory method of keeping inventory as to quantities, styles, sizes, and mills was in use so that in some cases shortages resulted, while in other instances inventory was left at the end of a season. In the absence of a statistical department the accombting department was depended upon to furnish such sales data as were needed. Is a consequence, buyers experienced difficulty in ascertaining at any time the exact relation of sales to purchases.

When the buyers' market came in 1920 and sales fell very materially, the company found itself burdened at the end of the year with a heary inventory, while its obligations were large. I reorganization became necessary.

Mr. James Henry, an executive tramed in the dry goods business, took charge, and after a surver of the
mothods of the company made the following preliminary report to the board of directors:

A system of control for wholesale ronerons must recognize the great rexponsibility of the buyers. Any system which is adopted must be kept in effert contimonsly if it is to be working at times when it is of particular service, and provision should be mate to wherk both immediate and advance purchatises. I reeommend that the following sugerestions should be worked out to apply to this business:

1. The exerutives should figure the gross business profit on the eapital of the rempany. Ammal sales should be four or five times the capital. That figure should be the limit, and total purehases should be governed thereby.
2. The exerotives shomble apportion sales to each department so that one department maty not encroach upon the other. They should atso divide purchatses into spring and fall, adrance and immediate. Provision should be made for cash to be available for immediate delivery purchatses.
3. Every order should be astimated before being sent.
4. Each department shoukl have a plan to check quantities, styles, mills, ate., to avoid duplieate orders.

- A statistical department should be established to collect and interpret data and to make periodical reports to the president and managere.

6. Deliveries should be arranged toacommodate finances. The burden of each month should be known and dat a should be available to show how far receipts will care for invoices.

## (uestion

Would the installation of such a system solve the difficulties of the (iibbs- Moore Dry Goods Company?

Probleal 298

## Salen Control Systen

The Swain Engineering Company, manufacturing a line of construction and road machinery, including industrial trucks, concrete mixers, excavating machines, et cetera, sells its product mainly direct to consumers through branch offices located in all the important centers of the United states.

In order to give more information to executives of the organization for control purposes, the following system of reports is suggested:

$$
\text { Sales Department Report No. } 1
$$

Graphic chart to be forwarded weekly to all members of the Swain Engineering Company, heads of other departments and executives by the (iencral Sales Manager. This chart to show:

1st-Daily plotting of total sales for the current year.
2d-Daily plotting of total sales for preceding year.
3d-Monthly plotting of total sales expense for current year.
4th-Monthly ploting of total sales expense for preceding year.
5th-Monthly tendency lines for each of above.
6th-Monthly tendency lines showing the relation of total sales expense to total sales for current year.
7th-The same for the preceding year.

## Sales Department Report No. 2

A weekly report to be made by each home office department manager to the Cieneral Sales Manager showing for the respective departments:

1st--The total sales during the preceding week (both for the present and the preceding year) of equipment by items under the jurisdiction of the department, arranged by districts according to the Swain Engineering Company offices (export sales to be shown separately in one column and all other sales, such as agency, open territory, etc., to be grouped together in another columi) giving both the number of items and the factory selling prices with totals for each district and for each item of equipment.
2d-Cancellations received during preceding week, specifying items of equipment and amount canceled and reasons for cancellation.

Note: Department subtivisions to be shown if neress:ary.
Note: Report for work is due in (iomeral sates Manageres oflece on Whentuslay of the following week.

$$
\text { SAbEA DEPABTMENT REPCRT No. } 3
$$

A monthly recapitalation of salse Dapartment Report No. 2 for the preceding month (exept corrected) to be mate by aich home oflier department manager to the (iemeral sialos Mamamer.

NoTE: 'This repont is dur in (innoral sialos Manager's oflier on the sth of the following month.
NOTE: Department divisions to be shown, if neressary.

## Sines lepartaber Repoby No. f

A monthly summary of information shown on Sales Department Report No. $\mathrm{S}_{\text {, with }}$ eomparison with budget amonnts, to be made and forwarded to execotives, all sales department members, and heals of other departments by the loth of the following month hy the General Sales Mantger.

> SALE DEPARTMENT REPORT No. 戶

Amonthly mport to be mate by the sates Aceounting Department to the (ieneral sales Xamager of the expense of eath district sales oflow and eath home sales department, showing the following for the preceding month and accumulatively for the yoar:

Lst-General Expense.
2d—Salaries (and Wages for Business Department).
3d-Traveling Expense.
thh-Offier Remt.
5th-Warehouse Rent (for Busimess Department only).
fith-Oflice Fixtures and supplies.
7th-Publicity and Advertising.
Sth-Convention and Aseoriation Expense.
91h-Miscellameous.
NOTE: If home office departments hate divisions, expense shall be arranged accordingly, if necessary, (ommpared with budgen amomets for like periods.
NOTE: salesowerhead shath be pro-rated as determined.
NOTE: This report is dur in Coneral sales Manager's offere by the sth of the following month.
Same Departabet Executives Report No. 6
A monthly report to be made by the Gencral Sales Manager to Hones sales Department heads and District Office Managers, showing:

1st-Budget expense, amomets by items for month.
2d-The total expense by items of the Sales Department for the preereding month.
$3 d$-The relationship of the total expense to the total volume of domestic sales for the preeeding month.
4 th-The budget items of expense for the month for a home sales department order office.
5 th-The total expense by items of the same sales department or district office for the preceding month.
6th-The relationship of the expense of the department or office to its sales for preceding month.

> Sales Department Report No. 7
> Report of Admatment of Complant

$$
\left(D_{a}+e\right)
$$

1. Name of customer.
2. Home office address of customer.
3. Field office address of eustomer where equipment is located.
4. Name of person in customer's home office who made complaint.
5. Title of above.
6. Name of man in charge of job where equipment is located.
7. Title of above.
8. Name of man in charge of equipment complained of.
9. Résumé of complaint as made by customer.
10. Aetual troubles as found by our inspector.
11. Aetual or theoretical cause of trouble.
12. How trouble wits remedied.
13. If additional parts necessary to remedy, so state and accompany report with memorandum order covering same.
14. If services of shop man necessary to remedy mechanical defects or trouble caused by faulty design, so state and give full report in triplicate on separate report blank, stating actual condition of equipment, cause of trouble and suggested remedy. (This report will then be turned over to Production Division for necessary attention.)
15. Give total of expense of inspector, itemizing as follows:
Traveling
Hotel \& Meals
Telephone \& Telegraph
Incidentals
Repairs purchased
16. (iise suggested settlement of invoice if necessary, showing suggested amount of eredit to be allowed.
17. (Bive name of inspector.
(Signed)

> Gaben Debartanew Report No. 8
> Report of INstabation
> (I)ate)................ . .

1. Nimme of rastomer.
2. Homme offier addrese of eustomer.
$\therefore$ Fiold oflier address of rustomer where equipment is locaterl.
t. Nimm of man in charge of joh.
$\therefore$. Name of man in charge of equipment.
3. Name of Master Mechanic on job.
4. Report comblition of equipment as found bly installation man.
s. Report amy breakages or damages to equipment; perdity:
1st - (amse of damage.
2d- Parts needed for replacement.
3 l sond in order in duplicate for necessary parts, sperilying:
(a) "No charge" and reason.
(b) "Charge" and reason.

If parts furnished "No charge" send express or freight receipt properly noted as to damage to enable us to enter claim against rarrier.
9. (iive estmate of time required to complete installation.
10. (ive brief report on persomel at job so that we may obtain advance ideas as to trouble we will eventually rum into with equipunent on account of improper handling.
11. (ieneral remarks.

## Questions

1. should the plan be adopted?
(a) Is it complete".
2. What reports are needed from salesmen and branch managers in order to carry out the plan?


## Pkoblea se9?

## 

The ('leceland Company manufactures a limited momber of mationally ablertised sperialties in a line handerd by all grocery stores and bey many drog and department stores. The company sells through jobbers, but maintains a large sales foree to push its product through salces to retalers. which ate turned over to jobbers. The matin sales oflice is located in New York; from this oftiee are directed sales for the New York district, at well ats for the entire comutry. In each of the seren divisions may be fomen one or more districts and several temitories assigned to the individual salesmen.

The hasis for the system of eontrol of salesmen is found in two reports, which are required of each of the three types of salemen. There are regular salesmen, who in many territories call upon grocery, drug, department store and jobber trade. In the more densely settled districts special salesmen are assigned to the drug trade and to jobbers. The daily vales report recpured of all salesmen selling retail trade is illustrated on page 521:

The following is the town report:


The original of each of the two reports is sent to the main office in New York, the copy being sent with the order to the division office. The division office then turns the orders orer to the jobber as directed. The daily town report is made the basis of a report summary, in which for each town worked is given the following information: date, number of dealers solicited, hours worked, number of calls, number of intervierss, number of sales, with a recapitulation under the heading "Trade calls," mumber of dealers stocked and sold retail according to products, number of dealers sold retail including introductory and repeat sales by products, number of introductory sales retail by products, percentage brand distribution by products, number of standard cases sold by products, special deals by products. Each daily report summary contains the division, district, and sales territory headquarters town, with the name of the salesmen and sales classification. Separate lines are given to grocers, druggists, miscellaneous and jobbers.

The second report summary, based upon the daty sales report, contains a summary of the work of the various salesmen classified according to the types of trade-grocer, druggist, miscellaneous, and jobber. Regular salesmen, job salesmen and drug salesmen are grouped together. On each line are given the days and dates worked, number of trade calls, number of interviews, number of sales, number stocked and sold retail by products, number sold retail including introductory and repeat sales by products, number introductory sales retail by products, retail special deals. This information, as stated above, is given for each of the classes of customers visited.

Weekly a large sales summary sheet is filled out, giving for divisions, distriets and territories the sales of each of the products for the current week, the corresponding week last year, the current quarter and the corresponding quarter last year. A puarterly condensed sales summary sheet is drawn up, giving the sales for each territory of the Cthited States. From
the fown report is drawn information for the card record of towns kept in the New York offiee．

## （buestion

Outhen the sestem of records which should be kept in the brand offiees，and the reeords which the home office should keep to control district managers．

PERPETGAR INTENTOR
The sumner Wholesale（irocery Company，located in Bostom，hats amual sales of approximately $\$ 3,000,000$ ． It hats a large votume of businesi in staple and medium－ price groceries and an extensive business in approved brands of good quality．It imports large cuantities of coffee，tea，and other foreign products．The eompany emplors 15 salesmen and distributes its product throughout New England．

During the earty part of 1920 ，becaluse of the general depression in the trade，the company was purchasing only in small quantities and had been suecessful in greatly reducing its insentory．Because of its low inventory and method of purchasing，it frequently happened that orders from retailers fould be held up， as the merehandise ordered would not be on hand．In many case it reguired a weok to replenish stocks，and a few instances oreurred where deliveries were delayed three weeks．

Mr．Jomn，the sales manager，had received numerous complaints from his customers because of the delay in shipment and made several protests to the executives about their policy in carrying such small stocks．The executives replied that their method of purchasing was
absolutely essential during the period of depression that they were passing through and asked Mr. John for suggestions. After making a proliminary study of the problem Mr. John suggested that a perpetual inventory be kept for all lines carried and submitted the following form.


Questions

1. Would it have been practicable for the executives of the Sumner Wholesale Grocery Company to install a perpetual inventory?
2. If so, should the form submitted have been changed?

Problem 301
Sales Control for Confecerionery Mantfatiter
The Mott Confectionery ('ompany operates a factory at Boston, Mass. Its product is chocolate-covered confectionery. The sales department is in charge of the president. There are nine salesmen: six of them are combination salesmen, carrying non-competing lines, receiving 5 e commission on sales and paying their own expenses: three are in the exclusive employ of
the eompany and are paid on the satary and eommission basis. The combination sale emen do not send in reports, although at the ond of each trip, a verbal report is given to the president. The three eompany salesmen make daily reports. The territories covered by these salementare as follows: (1) Mane; (2) New Hampshire and Vermont; (3) Massachusetts; (4) ('ommecticut and Rhode Island: (5) New York (ity; (6) New York State; (7) Philadelphia: ( 8 ) Western Pemnsytunia; (9) Marytand, Virginia, and West Virginia. Divisions are detemmed hy intensity of demand. The salemen are controlled direetly from the home office in Cambridge. The sales manager makes personal visits to each district.

There is no advertising department or appropriation, though some dealer helps consisting of show eards, banners and dumm boxes are distributed. The price of goods to the jobber is determined by adding the war tax
 pany's profit of $6^{\prime \prime}$; to cost of manufacturing the article. The price to the retailer is 200 above jobber's cost, and price to consumer is $30^{\circ}$, above jobber's selling price. The company has never fixed retail prices of any artiele, although it does make up certain package confectionery to sell at a certain priee. The sales mamager je the sole judge of credits. The system is loose, with mathy small accounts. The terms are $2 \%$ 10 days: net 30. The company is very lenient. The salemen's reports are given much weight. Salesmen often make collections, although not compelled to do so. The eompany sells johbers, retailers, and consumers. In New England, sales are made to retailers only. Outside New England sales are principally to jobbers. No sales are made to the legitimate trade of the jobber. The emprany has granted exclusive agency rights to certain dealers located in Bronx, Newport, Coneord (N. H.), three in Newark, and several in Maine. Ammal sales amount to 5250,000 , the bulk being in New York. Philadelphia, Maryland, and Massarhusetts.

Due to financial difficulties late in 1920, the concern has come under the control of a new group of interests. These men plan to do away with the former oldfashioned methods. It is their desire to increase the sale of their product at least $50 \%$ to take up the excess capacity of the factory. It is felt that this will entail a considerable revision in both organization and methods of operation.

## Questions

1. What matters have to be decided by the board of directors, in order that the sales manager may prepare a plan for securing the increase in business?
2. What features of a selling campaigu are usually determined by the board of directors or president of a corporation?
3. Outline a system of sales control, which will show the managers at any time the exact status of selling operations and results.

## Problea 302

Control of Sales by Shoe Mantfacturers
The Sears Company, located at Lynn, Mass., manufactures women's fine shoes, the ammal sales being approximately $\$ 2,000,000$. The factory has a daily capacity of 2,500 pairs. Since the style factor is important, the company is careful to have representatives in all shoe conventions to inspert displays of styles for the coming season. While the company gives considerable effort to developing new styles, it aims to follow a rather conservative policy and to adopt style changes which have been succossful rather than to originate new styles.

The prewent sales organization consists of a general sales manager, fwo asistant sales mangers, and a road fore of 24 salsmen. The salesmen attempt to cover the entire lnited states, making two trips each year. bath of the salesmen is directly responsible to the gemeral sate manager, as are the three asistant sales mangers. salemen's territories are not clearly detined. It has been the exstom of the sales matager to mat) out each year the semi-amual trips of each salesman. The same route is generally followed from sear to year. . Ill walemen are paid on a strictly commision basis. No expense is aflowed, with the exeeption of railway fares, which are paid in order to equalize the expenses of salemen in rarious parts of the comntry. The company has not required the salesman to make a special report to the general sales manager upon his return from a trip giving his impressions as to market conditions in his territories, his ideas as to sales posibilities, and facts and opinions as to the retailers to whom he has sold goods. The salesman i. practically his own master while on the road, receiving few instructions from the home office and making no reports until the trip is completed. In the opinion of the sales manager, the company in the past has considered that the amount of a traveler's sales was sufficient report of how the salesman was getting along and suflicient indication of the conditions in his territory. The officials of the eompany realize that they do not ohtain the best results posisle from the territory conered.

No advertising department is maintaned. The company officiats prepare the advertising copy in conference. To plan is followed in advertising, apparently the only idea being to have the name of the company appear in the trade journals from time to time. Nodefinite amount is appropriated for advertising and no attempt is made to check the results. The company isues a catalog to the retail trade, which is sent to all its customers and to prospects whose names are obtained through varions agencies.

The company sells to retailers only, but does not follow the exclusive agency plan, preferring to sell to all reputable dealers who will handle its goods. These retailers order the bulk of their goods at the semiannual calls of the salesmen, sending in reorders after the season opens.

## Question

Outline a system for control of traveling salesmen, which will give information needed by the sales manager in order to properly direct sales.

## Problem 303 <br> Sales Recorios

The Davis Company manufactures a line of clocks which it sells through jobbers throughout the United States.

In the sales department the following records are kept: route lists, showing route, location, and dates of salesmen; sales quotas of salesmen, with records of past performances; copies of bulletins issued; efficiency of salesmen: inquiries and quotations for follow-up uses; advertising program; card file of " $\backslash$ " distributors; card file of " $\Lambda$ " " distributors; mailing-list as agreed upon; monthly report to general manager as to sales efficiency compared with sales expenses; scrap book of firm's advertivements: scrap book of circulars, booklets, inserts: scrap book of (ompetitors advertisements; scrap book of (ompotitors' clocks compared with firm's: record of electros on order, in stock, with customers or printer, who and what; record where salesmen's checks and mail are sent daily: and from the
salesmen's records of customers and prospective customers, goods interested in or used, name and type of buyers, hohby of buyer.

## Question

What other records are needed for complete control of sales operations?

Probleal 304

## Administratife Control of Sales I)epartmentBenget System

From the view-point of both business man and economist, that enterprise is most successful which most efficiently coordinates its functions of production or purchase of goods, distribution, and financing, meanwhile properly maintaining and adapting plant and equipment. As a business increases in size, the difficulty of coordination of these operations is increased. Among the methods used by administrators and executives for effecting coordination is the budget system. The budget system requires good records of sales, production, and finance, a knowledge of the market, and much judgment as to trend of business conditions during the period for which the budget is to be made. But it is claimed that the budget gives a degree of control and definiteness in plamning which camot be secured otherwise.

The budget system, as applied to business concerns, usuatly takes the sales budget as the starting point. Upon the estimates of possible sales hinge the estimates of production, the planning of new plant and equipment, the internal financing operations, and possible increase of working capital. In estimating sales for a future period, the length of which is determined by the nature of the business and general conditions, the first
step is usually an analysis of past sales by territories, products, terms, periods of year. Upon these are based estimates of ensuing period sales, weight being given to various factors, such as policies of the concern, general conditions in territory, trend of demand for particular product, eapacity of sales department to dispose of goods, etc. During each budget period, final budget estimates are revised upon the basis of actual performance so as to provide currently for correction of errors of judgment. The sales estimates are committed to the production department, financial estimates are prepared, and administrative officers issue the master budget.

The Walworth Manufacturing Company, in its application of a budget system, found that the size of its line rendered the preparation of sales and production estimates very burdensome. In the words of the president of the company, in an address to the Taylor Society:

We have picked out of our vast line of some twentythree thousand different finished items six hundred which we consider as "significant." That list of six hundred was worked over by all our departments. Our original thought was that we could piek out five hundred items as a test, but as we found it was absolutely impossible to confine ourselves to five hundred the list was expanded to six hundred. This list was made with the help of all departments of our business-sales, production, and fimancial. We are using that list as the basis of our sales and production campaign. It is the foundation of our budget system. We are asking each one of our merchandising units to use those six hmadred significant items as the hasis of their sales estimate for the first quarter of 1921. To do this they mu-t study their own busineseses in detail. It gives them an opportunity to really learn their business and has made them realize how few of the many thonsimd items we cary have an economical turnover.

The sales estimates so arrived at are in turn sulmitted to the Home Offiee and after proper revision and consolidation are made the basis on which we predicate our production program and our finance program. That is a detail of the whole greater budget system which we are working out, the one of first finding out our trade require-
ments, then kering those into our own production ability, basing onr linaneing progran on the result, and sometimes linding that it is impossible to linane the result and therofore momding our program to suit our finances.

## Questions

1. Should a budget control system in the Walworth Wambencluring ( ompmany materially affed the organization or mothors of operation of the sales department?
2. Is a budget system desibable from the sales mantarers point of view".
3. What are the weaknesses of the sales budget?

## PART VIII

FINANCING OF SALES

## PART VIII

## FINANCING OF SALES

## OUTLINE

A. Capital Requibements for Finanelig sales.

1. Amount necessary depending upon
(a) Volume of sales.
(b) Length of period between receipt of goods by sales department and collection of payment after sales.
2. Sources of funds for financing sales.
(a) Working capital of concern.
(b) Bank loans.
(c) Current sales, discounting acceptances, notes, etc., borrowing on book accounts.
B. Terms of Sale; Relation to Financing.
3. Customary terms of trade.
4. Determining length of credit term for specific enterprise and specific customers.
C. Management of Credit.
5. Credit granting; bases and methods.
6. Control of credits and coordination with sales activities.
7. Collections and outstandings; collection methods from view-point of development of sales and good will.
D. Speclal Methods of Financing sales.
8. Finance companies in the automobile trade.
9. Other methods.

## 

## A. Capital Requigements for Finangeqg fales.

What ammont of working rapilal is nocessary to finance agiven volmme of sale umder given eonditions:" What are the somere of fumb for finaming sales.? To what extent should the rontrol of sales finameing be disworiated from the saldes depatiment".

## B. Terms of sale: Relathen to finangeng.

What mothock should be adopted for hathelling aredit ac"omats:" Shonlal terms be rigidly oberemel". How should the length of aredit terms be detemined for a particular plant".

## ('. ManagEMENT of ('redit.

What methods shomal be adopted of eoordinating the work of the eredit department and of the sales department in passing upon applications for (redit". How can collections be managed withomt affecting sales adversely? Under what conditions will aredit outstanding affect sales activity".

## D. Sipechal Methode dF Financing sales.

How are sales which require considerable outlay on the part of the buyer financed an as to hroalen the market? What are the advantages and disalvantages of the consigmment method". What are the adramtages and disadvantages of instalment sellimg from the view-point of the manufa"urer".
*No single publication combans reforence to all the aspects of finanrial management as related to sales operations. The general works upon marketing have chapters upen the rolo of financing in distribution; for instanere, ('.s. Duncth, I/arketing: It.s Proldrms and Methots, Chapter XII: P'. T. ('herington, Elements of Markting, Chapter IX. Treatises upon corperation finance usially deal with certan phases of the financing of sales in combertion with working capital; of. A. s. Dewing, The Fimucial P'olicy of 'orporations, Volume III, ('hapter III, amd Volume IN, (hapter VIl: Jowh M. Regan, Fimmeing of Business. For an extembed list of references on problems in industrial finance as related tosates, uf. E. L. Lincoln. Prohlmes in Imdustrial Finance. Upon administration of credics, of. J. Fi. Hagerte, Merombile ('redit; J. A. Meser, Mercumtil ('radits and 'olldrtions: Eitinger and (ioliob), Credits ann' Collections: Blantom, C'redit: Its P'rimciples and l'onetice; A. W. Shaw
 Park Mathewson, Acerptaners: 'T inde and Banliess'; publieations of the Ameriman Aeceptane Comeil; munerons pamphlets issued by banks and other financial institutions; and mumerons artieles in the financial and trade press.

Problem 305
Relation of Sales Meriods to Amount of Working Capital Requirei)
In the endearor to establish standarls of operating and financial practice, certain relations and ratios have been set up by gencral consent as having some significance. White these standards are by no means established as correct, they are of assistance in judging the soundness of financial policies. The Harvard Burean of Business Research has endeavored to develop standards in retaiting for the percentage of cost in comparison with the gross sales of the business. In manufacturing corporations, bankers have been accustomed to look upon the ratio of liquid assets to eurrent liabilities as a test of the ability to meet obligations promptly; and, in many cases, the ratio of two to one has been set up as a desirable one. The experience of the past few years has shown that this ratio has by no means universal significance and that standards must be established not only for industrial corporations, but also for particular industrics. The variations between textile, steel, and other industries are so marked as to require different standards.

A test, which is sometimes applied by financial men to corporations, is the refation of working capital to total capital. An examination of important corporations shows a wide variation in pereentage. The following table illustrates the point:

[^30]Gemeral Chemical Company ..... $17.2 \%$
Unital Fruit Company ..... $17.3 \%$
Prowedstoed (ar Company ..... 17.8\%
Americ:an ( yantmid Company ..... $17.9 \%$
Inited states sitoel (orperation ..... $21.8^{\circ}$
Lackanaman steel (ompany ..... 22.3\%
Veolin Weder Priano and Pianola Company ..... $23.4 \%$
I. W: Woohworth Company ..... $23.4 \%$
National Biswuit Company ..... $23.9 \%$
Lonsio. Wile Biscuit Company ..... $25.3 \%$
American Fabrice ('ompany ..... $27.2 \%$
Kresge (ompany ..... $27.2 \%$
Amertion Chicle Company ..... $27.8 \%$
Sears, Roobuck Company ..... $27.9 \%$
National Lead Company ..... $30.1 \%$
Cambria Steel Company ..... $30.4 \%$
Morrison Company ..... 30.8\%
Amoricansugar Refining (company ..... $30.9 \%$
American Hide and Leather Company ..... 31.8\%
Thited Shoe Machinery ..... 34.1\%
American Steel Foundries ..... $34.3 \%$
Garfield Worsted Mills. ..... $35.1 \%$
Armour and Company ..... $35.3 \%$
Crex Carpet Company ..... $35.4 \%$
Swift and Company ..... $36.8 \%$
Baldwin Iocomotive Works ..... $37.4 \%$
American Tobaceo ('ompany ..... $38.4 \%$
Underwood Typewriter Company ..... $38.9 \%$
Arlington Mills. ..... $39.5 \%$
Deere and Company ..... 41.7\%
United States Rubber Company ..... $42.2 \%$
Eastern Manufacturing Company ..... $43.5 \%$
American Woolen Company ..... $44.4 \%$
Westinghouse Air Brake Company ..... $44.4 \%$
Diamond Match Company ..... $46.5 \%$
Keller-Springfield Tire Company ..... 48.5\%
Saco-Lowell \ills ..... $51.7 \%$
International Harvester Company ..... $58.6 \%$
Central Leather Company ..... 64.4\%

## Question

To what extent is this variation in ratio due to sales policies and sales methods?

Problem 306

## Relation of Sales Methods to Operating Ratio

An index of efficiency which has been used particularly in connection with railroads is the operating ratio; that is, the percentage of total expense of running the business (including manufacturing, selling, and administration) to the gross sales. The gross profit on sales is evidently represented by the difference between $100 \%$, representing gross sules, and the operating ratio. The application of this test to certain industrials brings the following results:

$$
\text { RATIOl }=\frac{\text { TOTAL ENPENSE }}{\text { GROSS EARNINGS }}
$$

*Mexican Petroleum Company ..... $5.5 .6 \%$
*Railway Steel Spring Company ..... $66.3 \%$
American Fabrics Company ..... $69.2 \%$
California Petroleum Company ..... $72.4 \%$
Garfield Worsted Mills: ..... $77.4 \%$
American Cranamid ( Ompany ..... $77.5 \%$
*Lackawanna Steel Company ..... $78.1 \%$
*New York Air Brake Company ..... $78.3 \%$
American Steel Foundries ..... $78.6 \%$
American Ice ('ompany ..... $84.7 \%$
United States siteel Corporation ..... $87.2 \%$
Pittsburgh Coal Company ..... $87.7 \%$
Central Leather Company ..... $88 . \%$
American Tobaceo Company ..... $88.9 \%$
Arlington Mills: ..... 89. \%
Sears, Roebuck Company ..... $89.3 \%$
American Hide and Leather Company ..... $90.2 \%$
F. W. Woolworth Company ..... $91.4 \%$
United States Rubber Company ..... $92.1 \%$
Eastern Manufacturing Company ..... $92.5 \%$
American Express Company ..... $92.9 \%$
Cuba Cane Sugar (ompany ..... $93 . \%$
Baldwin Locomotive Work: ..... $0+.5 \%$
Kresge Company ..... $94.7 \%$

1. In expense has been induded the operating, wministrative, and selling expense including depreciation, interest, and taxes. No miform method of reporting financial statements has been adopted, so that interpretation had to be resorted to in many cases. The ratios may be taken as only apmoximately corrert.
*Based upon 1918 figures-Moody's Mamual. All others based on 1919 statements-Moody's Manual, 1920.


## (?nestion

Too what extent do sales policies and sales methods affect the operating matio."

## Probleal 307

## Prepaycici Freagilt to Branof Houses

The Randolph-Wellburn ('ompany is engaged in the manufacture of hand, circular and band saws, machine knives, files, and a few secialties such as cigar eutters. The number of styles in the companys line reaches an ageregate of approximately 30,000 numbers. The product is distributed through seven branches loeated at New York, Pittehurgh, New Orleans, Portland (Oregon). Lan Franciseo, St. Louis, and Memphis. The company's main office is at Worcester, where it has two factories. It also operates a factory in Chicago, and a sted mill at Buffalo.

The branches sell direct to retail stores and also to the larger consumers of the Randolph-Wellburn Company's product. The salesmen that call upon the individual consumers also fary a line of mill supplies which are purchased direct from manufacturers and camped in stock hy each brand homse.

The home office sells to the branch offices at wholesale prices, and the branches function as separate wholesale extablishments. They are expected to show a profit. Their retail selling price, however, is fixed by the home offiee be so-called list priees which are presonted in catalog form. Because of lower freight rates
and keener competition in the East, the branches located in that section of the country are allowed to give larger trade discount than the branches on the Pacific coast.

The accounting for these branches is all done at the home office, each branch having but one bookkeeper. The home office sends to each branch one check to cover the monthly payroll. Each branch is allowed a petty cash account varying from $\$ 500$ to $\$ 3,000$, depending upon the size of the branch, and from this account all petty cash expenses are met for bills that amount to less than $\$ 100$. All bills amounting to more than $\$ 100$, except rent, are approved by the branch office managers and forwarded to the home office for payment.

In the fall of 1920 , the general sales manager made a careful study of freight charges from the factory to the different branches. He found that the charges for the eastern branches averaged $2 \%$ of the list selling price of the products as published in the company's catalog, and for the western branches, 50 of the list prices. As a result of this investigation the general sales manager recommended that the home office pay all freight on shipments from the factory to the branches. and that a flat rate of $2^{\prime}$ to the eastern branches and $5 \%$ to the western branches be added to the wholesale prices of the different products sold to the branches. All lines purchased from other mamufacturers, such as mill supplies, would be paid for by each branch house as had been done in the past.

## Question

Should the sales manager's recommendation have been adopted?

## Problem 308

## Prade Acerepandes

The treasure of a large corporation, which refines and sells various metals, writes regarding the use of arecentaneses and terms of sale:

The exmeral rule is to data "sight" of "arivai" drafts on the rustomer with hill of tading attarded. There are many exeptions to this rule, hat payment is experted and received in " 10 dates from date of shipment," "30 dats from date of Shipment" or on "tha arrival of the merdamdise."
 for usually metats are shipped on "order" hills of lading, so that we retain cont on antil payment is make.

In the fow "an when we have used trade adeeptances, there hat been a precial reatom for so doing. (ienerally, the rustomer hate requested this proedure and we have been willing to med his wisher. The very limited experience which we have hat with trade areeptanere has been satisPactory.

We hate given some consideration to the feasibility of drawing on our eustomers at the time when their orders have been placed, when they call for future shipments; but this has never been put into practice. If it were done, it would be simply a matter of facilitating our own financing, and we have never been in a position to need to adopt this methork.

My own feeling regarding these trade aceptanes is that this instrment is niseful only where eash discoments are offered and hot taken. A eonern, which does not take cash discomes, is fanacing itself in a very expentive way and its medit position is open to conviderable question.

I believe that the trate adeeptaneses serve many good purperes. hut I lope we shall mot see the time when they will be gencrally adopted in the whateate metal business. The bank acepptance is a far superime instrument and it can and should be mate to serw in many wase where the trade aceeptane is now used.

Again, 1 am -poaking from the point of view of wholesale hasines where individual saldes run almos matime to very harge figures. To a wery lage extont, howeres, the same appliow to sualler transartions.

Any ratomer is (theor to his own hank than he can posibly be to his supplier. He should finatace himself according to the mems at his disposal locally and not place
this burden on his supplier. Obviously, when we are in a "buyer's market," the buyer (an assert his advantage and force his supplier to meet his wishes.

## Question

Is the validity of this argument confined to the wholesale metal business?

On the other hand, a manufacturer of machinery and tools, whose goods are sold throughout the United States and in foreign countries, has used the trade acceptance in his business ever since the plan was inangurated and claims to have done everything in his power to encourage its use with customers. According to his statement:

We sell to various trades in this country, including consumers, dealers, jobbers, manufacturers, railroads and governments, together with a large foreign trade; consequently, conditions necessarily differ in the terms that we use affecting these different trades. Our regular terms are net thirty days on open acconnt and we do not offer cash discounts. Whe use trade acceptances largely with our machinery sales and believe that this form of settlement fits in very conveniently with a machinery business.

In order to encourage the development of trade aceeptances with our trade, we have allowed slightly longer time when trade aceeptances are given and we generally draw on a forty-five day basis. We feel, however, that when a customer pays very promptly within thirty days, there is no real advantage in a trade acceptance and that the latter form works out hetter on a sixty or ninety-day hasis. We have always maintained very close terms, and for that reason we limit the time we offer on an arepetance hasis to fort y -five days.

During the past year we have handled over one thousand different transactions on an aceeptance hasis, which represents approximately $66 \%$ of the number of aceptances that we submitted with invoices to our dustomers for aceptance,

## 

and which ako will represent about the same pereentage in the ammont in dollars amd rents; and which is abont 250 of ont latal salfe the latter constitating several million
 as derlimed.

Wir find that ofr chstomers are graduatly beeoming more favorahle to the use of trade acereptane and we hate very little differelte at the prosent time in obtaminer the return aterentane duly signel. There are eertain conererns, of condree, that will not use them owing to their ateonnting
 it is a retleretion on their aredit. We alwarsa explain, in such

 desmater
 that eremtatly it will berome more in use and that many of the objeretions that are now raised agamst them will disappear. Whatso have encombaged a market for aceeptances with our local banks be offering them for sale and we find that ont loceal hamking institations are gradually becoming fasmathe to them as an investment and ragery serk them.

## ()uestions

1. Should the wholesale dive goods eoneern described



## Problem 309 <br> Terms of sale

The Roanoke Wholesale Dry (ioods Company, of New York, a large eoncern specializing on piece goods, covers the entire lenited states in its distribution. Purchases of this compalny have for years been limited largely to a few lime acting as selling agents for northern and southern mills.

The financing of the Roanoke ('ompany and the general methots of doing business are greatly affected
by the terms of sale which it procures from the textile agents. Prior to the war, the terms obtained on season, finished cotton goods were usually $29-10$ days with season datings of April 1 and October 1. On staples and season goods purchased between seasons the terms were $20-10$ days, 60 days extra. Anticipation was usually permitted at the rate of $6 \%$ per annum. These terms applied to the greater variety of goods, though certain products bore other terms than these. On woolen and worsted piece goods the terms allowed were uniformly $100_{0}^{-10}, 9 \%-30,8 \%-60$, $7 \%-4$ months, with scason datings of June 30 and December 31. In this case the season dating did not lengthen the terms as much as it would seem to, for deliveries were not made immediately after the mill's selling season, but rather were adjusted to the Roanoke Company's needs. Anticipation was generally permitted at $66_{0}$ per amum.

During the war and for some time afterwards the terms of sale were materially shortened on cotton goods; post datings were climinated. Upon the woolen goods and worsteds the terms were reduced to net-10, or net 30 days, e. o. m.

Mr. James E. Pennock, president of the Roanoke Company, instructed his buyers in making their purchases for the spring season of 1921 to accept only those terms which the company had always been getting prior to the war.

## Questions

1. Should the agents have granted the request made upon them?
2. What would have been the effect of a general lengthening of the terms by the selling agents upon the business operations of
(a) The selling agents.
(b) The Roanoke Company.
(c) simall jobbers.
(d) Retailers.
3. Why were terms shortened in these lines during the war period".

Problem 310
1nterest (marged on Past-Due Accounts
Hopkins, sutcliff © (ompany is a selling organization, distributing eotton piece goods. The company sells the product of three factories which it owns and controls; in addition, it handles the sales of five other cotton-manmfaturing companies. The eompany distributes all its lines direet to jobbers.

On damary 1, 1!20), it had standandized the cash discount offered and phaced it on a $2210-60$ basis. In other worts, bills paid within 10 days received a 20 cash diseomet the net terms were really 70 days. It allowed $6^{\circ}$, , interest on all prepayments. For the 10 years previous, this company, in cooperation with the other leading selling organizations of piece goods, has condeatored to eliminate the so-called inside prices that have been offered. During the war the seller's market that existed enabled them to standardize terms as outlined above.

Mr. Malcolm M(•Donald, senior saleman of Hopkins, sutcliff \& ('ompany, on October 1, 1920, found that one of their large competitors was charging $6 \%$ interest on bills that were not paid within 70 days of dating. This his company had not been doing, as it believed in cases where a bill was overdue that the main endearo should be to get the bill paid and then consider whether or not it should continue to sell such a retailer.

## Question

should Hopkins, suteliff \& Company have charged interest at the rate of $10^{\circ}$, on all bills not paid within 70 days of dating."

## Problea 311

## Handling Credits

（a）The following instructions were addressed re－ cently by a credit manager＂to all employees of the credit office．＂＊

All accoments thirty days past due amoming to 8500 or more are to be referred to the eredit manager．

Reopened aceounts and new acoonts due to changed bowinese conditions thromghor the world mast be con－ sidered mader the same category．All surh acemmes should receive attention in the following mamer：

Diseover＂the motive of the wrder＂；that is，whe the order was tendered，was it the result of salesmansin，good－will or advertising？If convinced that the order came in the natural course of busmes，proced to gather eredit data as mash．

Financial statement：must reveal from yom analysis whether there has been an owr－insestment of funds in buitdings，steel and merchandixe．

Furthermore，the aredit office must know definitely whether the merchandise values as they appear in the state－ ments are taken at prices in confminty with the best prac－ tice，which is market price if hower than cost price，cost price if cost is lower than market．

Inasmen as approximately ofery hasines homse in the country has a largely increased werhead which includes wages，salarion，taxes，telophone，口pkep of new buildings， ete．，it shath be the practiee of this office from this date， before extending any romederahle new eredit to ohd enstomers or credit to new rustomers，to learn and know definitely．

Whether or mot the customer has teimmed his pay roll， curtailed his overhead amd hought within reasonable bound his cutire expenditure so that his loss if any for the ensuing year will be minimized．Our inventigatore should take nothing for granted．

Inatimach a＊up－to－date credit infomation is valuable in determining the quadity of a credit applicant，it shall be the policy hereafter．

To use more liberally the interchange barean through－ ont the combtry，so that instantaneone reports of enstomers＇ present indebtednes may be kumb．If ever up－to－date in－ formation was worth anything，it i．worth far more to－day．

Newspapers and trade papers are filled with news items concerning the financial affairs of maty of our chatomers．
＊Printers＇Ink，April 21,1921 ．

Some speak of reduced payrolls, shuthing down of plants, working part time, rearganzations, extensions, receiverships, ete. The rlipping tepartment is therefore urged:

To follow more closely its work and incorporate the clippings in the commeretial report folder; further

In order that an intelligent mblerstanding of the customers' adrertising methods may be available, it is requested that advertising in the thade papers and newspapers showing the elass of geods offered for sale be attached and made part of the commereial report.

It has been the practiee of this office to record on cards, folders, ete.. data eonereming the credit responsibility of our constomers. In order to prevent any possibility of errors of judgment, it shall be the practice of the offie hereafter:

To present only the original information for consideration, so that a decision may be made with that in full view; and it follows that orders are to be certified as to eredit with the Commercial Report Folder, the ('ustomer's Ledger Sheet and the Collection Correspondence: also in full view when the judgment whether to ship or not to ship is being made.

## Question

Are the instructions here given applicable only to periods of uncertainty and depression?
(b) A large order has been received by a producer of condensed milk from a wholesale grocery concern operating a chain of 12 wholesale grocery stores. The financial statement of the company as of July 1, 1921 , seems to warrant granting the credit requested, though there was some doubt as to the item of receivables. It was suggested to the credit manager that the record of collections and outstandings might be of service. It is learned upon inquiry that the outstandings of the varions houses in the chain were as follows on July 1, 1921, as compared to July 1, 1920:


## Question

Does this record assist the Credit Manager in deciding upon the credit application?

Problem 312
Handling Credit Applications
The Oakdale Wholesale Grocery Company, located in New York State, had for the most part confined its efforts to selling to retail stores in cities of 150,000 or over in the surrounding territory. During the latter part of 1918 the executives of the company decided that it would be advisable to spread out and distribute their product in the smaller cities. Accordingly, the sales districts were reorganized and new salesmen were taken on.
F. G. Barker, one of the new salesmen, on January 10, 1919, sent in an order for $\$ 500$ which he had received from a retail grocer in a town of 8,000 population in the northern part of New York. This was the first order that had been received from Mr. Barker, and the retail account was a new one for the Oakdale Wholesale Grocery Company. The following statement was submitted by Mr. Barker with the order.

Financial Statement, Year Ending December 31, 1918

Assets
Cash on hand
\$ 425.17
Accounts Receivable 5,910.03
Merch. Inventory . . 16, 221.41
Equipment Inv'tory $\underset{\$ 23,559.81}{1,003.20}$ Balance......... $\underset{\$ 23,553.31}{1,431}$

Whe barker reported that the ammat sales of this
 the retailer tow appoximately one－formth of the eash disoombtion wod hime．Ho seported that so fate as he Was ablo to limd out the motalde was buybug from about right wholesalo grocere and making oneasional sattered purchatse from a fow othors，that appmoximately $6 \%$

 that the grose poftot of the complaty was in the neigh－
 Year 191s．The fown in which this store is located is in a prosperoms district，and the owner hats a high standing among the morehants in the town．

## （buestion

Should this sale hate heen approved．

## Proble： 313

Financing；salem of Automobiles
In the altomobile trade there has been a general tendency on the part of manufacturers to dispense with jobbers and to build their sales orgamizations more or less on the basis of selling contracts with automobile dealers．In this way，mamufacturers are able to main－ tain control 心が the soures of outlet for their products． Dealers are given solling agroment covering stipulated teritory．They are reguired to execute a contract based as acourately as posible on the potential busi－
 number of ears a ratr．＇The contract figures vary from a few fars to several hundred．Discounts vary with the mmber of cars a dealer contracting for 100 ears having the drlvantage of a larger discount than the dealer who sells only 2.5 rars a year．

On the basis of prevailing terms the automobile dealer must pay cash for the cars when they are delivered to him: and with his knowledge of potential business, the dealer is able to estimate the amome of capital he will reguire to finance the purchase of cars to fill his selling contract. Since mamufacturers load their product f. o. b. factory in most instanees, considerable capital may be required for one shipment of cars plus loading or decking charges and taxes, and less the stipulated discomnt. In the majority of cases the dealer is either unable or unwilling to finance his entire sales unaided by outside capital. His problem is, therefore, to get the necessary capital upon the best possible terms. Local hankers are very often the source of this capital.

There are times when bankers cannot finance antomobile dealers or there are times when they refuse to do it for reasons that reffect in no way upon the dealer as a credit risk. It such times the dealer may oceasionally turn to finance corporations formed primarily for the purpose of financing the automobile trade, both in sales to consumers and purchases by dealers. These finance corporations ordinarily loan funds to dealers and through dealers to users upon the basis of conditional sales or warehouse certificates at rates commonly higher than the prevailing interest rate.

The Cieneral Motors Corporation has its own subsidiary acceptance corporation. Just as it finances the purchase of cars to purchasers at retail, the (ieneral Motors Acceptance Corporation assists dealers to purchase wholesale stocks. This assistance may be given in two forms: The dealer may secure control of the cars he purchases and display them on his own accomt ; or he may store them in a licensed warehonse under pledged receipts, but before he can sell any car in the shipment, he must make payment to the full amount of credit on that particular car to the bank appointed to handle the matter for the (ieneral Motor: Aeceptance Corporation. Here is the plan as outlined:

Terms and Rates
Maximum Time Six Months

| Where Motor Vohicles are stored | $\begin{aligned} & \text { ('ash } \\ & \text { Down } \\ & \text { layment } \end{aligned}$ | Smonnt Financerl | (harge* | Performance Bonus |
| :---: | :---: | :---: | :---: | :---: |
|  | $10 \% \text { of }$ | 90\%; of | 1/30 of $1 / 6$ | $1 / 30$ of $1 \%$ of |
| licenterd | lnvoice | luvoice | of amombt for | amount paid |
|  | Primer | Priew |  | before matur- |
|  |  |  | commodation | ity for each |
|  |  |  | is used (1/0) | day accom- |
|  |  |  | per month).* | modation is |



* Charge includes:

Interest to Mathrity.
Fire and 'Tramsortation Insurance for 'onsignee's Full Price of Cars. Trade Acceptances and Notes must be drawn for integral months.
Bank's Fee. Fiddelity Bond.
Exchange Charges.
Invoice Price:
Includes consigneres price of ear, taxes; extras, if desired; freight, if prepaid by shipper. If freight is paid to railroat by consignee and is equal to or more than the required eash-down payment, arrangements can be made with C. M. A. (. to consider the freight disbursement as the required cash-down payment, making amomet financed the net invorice price of the velicles.
The maximum time for this financing is six months. This is allowed only during that part of the year covered by the winter months. The effect of limiting the time is to insure, as far as possible, that the dealer will make every effort to dispose of his cars within the time limit.

## Questions

Could this plan be used successfully by a manufacturer of
(a) Phonographs:
(b) Pianos;
(c) Electric washing machines:
(d) Household furnaces?

## Problem 314

## Deferred Payment Plan

The Shepley Company (see Problem Number 161) issued the following announcement January 1, 1921:

The shepley Company, aware of the ummal conditions now obtaining, presents a deferred payment plan to prospective purchasers, both clealer and user, on the hasis of approximately one-third cash and the babance evidenced by notes under the following conditions:

Note signed by dealer is to cover specific tractor, identified by serial number and is to be in uniform amount of $\$ 1,100.00$ on each XY model and is to mature six months from date of shipment. The balance of purchase price to be paid in cash and variations in the cash parment will arise through graduation of discounts based on quantity.

Dealer:


The deforred payments of user shall be evidenced by two notes, preferably for equal amounts, and recommended by the bank at which the notes are payable, the last of which shall mature not later than 10 monthes. User:

## (Example)

Retail price $\mathrm{NY}^{-1} \mathrm{actor} \mathrm{f}$. o. W. Factory . . . . . $\$ 2,150.00$
Cash from User. . . . . . . . . . . . . . . 8 850. 00
1st note . . . . . . . . . . . . . . . . . . . . . . $\quad 1550.00$
2 d note. . . . . . . . . . . . . . . . . . $\frac{650.00}{\$ 2.150 .00}$
The Dealer will be furnished forms of note to be signed by the user in favor of the dealer, which are then to be entorsed by the dealer to the Company.

It will be observed in the above example that notes on XY tractor will never total an amount exceerling $\$ 1,300.00$. This maximum amount is $\$ 200.00$ in exeess of the dealer's note held by the Company and represents part of the dealer's commission which remains unpaid until the user's notes are paid in full as assurance that dealer will not lose interest in their collection.
 dealer will atmomatically eamed deateres mote to the（＇ompany on the same tractor，whels will be retumed to the deater



 The same prowedure will he followed when neres serone note is paid in full．Which tramsation will remphete payment of dabler：full rommix－ion．

Notos sigmed he dealer，an wed a－motresighed he ber． are to bean the rament rate of intere in the respertionestates and are to mature at date didated he individual rircum－ stanees，hat mot to exered the maximmon periort as stated аbハッロ。

## （Questions

1．What are the adrantages and disadvantages of this deferred payment plan
（a）For the company：
（b）For the dealer？
2．Under what conditions can and should a com－ pany adopt such a plan？

Problem 315
Finhncing；Alles of Motor Trucks
The Carter Motor Truck Company produces and sells through wholesale and retail dealers a line of $1-$ ， 2－，and 3 －ton truck：which are equipped with standard bodies of the type most used by farmers．Its prod－ uct for the past few years has been sold almost entirely to farmers through local dealers，who also handle implements．With increased production the company realizes that it must make arrangements or help to make arrangements to finance dealers and
farmers who wish to buy trucks. With a simall number in each district it was posible to finance sales by the usual method of using working eapital and bank credit. Now, however, it seems that the manufacturer must extend credit and use his own resources to the limit if he is to dispose of his product in the course of the season. For dealers who have territory in rural districts the following plan has been devised whereby the dealers may take the time-payment contracts given by users and turn them in to the Ciater Motor Truck Company, which will thereby finance the dealer:

| $\begin{gathered} \text { Class } \\ \text { of } \\ \mathrm{Car} \end{gathered}$ | Maximum Amoment of Note | Deferred <br> Balame <br> Payable | Rate for ('omputing Differential Baced on Amome Financed |
| :---: | :---: | :---: | :---: |
| New <br> or <br> used | $\begin{aligned} & 60 \% \text { of Cashs. P. } \\ & 60 \% \text { of Cash } \mathrm{A} . \mathrm{P} . \end{aligned}$ |  | -‘; of amount financed. <br> $i^{\prime}$ c of amome financed. |
| trucks | $50^{\circ}$ \% of Cash S. P. | One Note-7 Mo. | $2 "$ ", 1st month and $1 \%$ each additional month of amount financed. |

Should the plan be adopted".

## PART $L$

DELIVERY OF ORIOERS

## PART IX

## DELIVERY OF ORDERS

## OUTIINE

A. Relathon of Fibling and lefitery of Ordera to sales.
 Orders.
(. Planning and ()perating of stock ANd simpping Rooms.

1. Application of scientific management principles to storing of finished goods.
2 . Storing problems in sales dequrtment; warehousing.

E. Handmat; (modras.
2. Billing system.
3. Packing-room operation amd control.
4. Shipment.
5. Traffie management irom viow-point of sales departmont.

## (BENERAL RIESTIONS*

A. Relation of Filfing and Delivery of Orders to Sales.

Are the filling ath delivery of orders to be ronsidered fimetions of the sales department ; if not, how should the needs of the department lor haldinge up at satisfactory clemtele through serviee be met? Does the meeessity of handling both inward and ontwad shipments lumish a ralid argument for placing control ol :hipping in a separate department?
B. Phat and Equodment for Fhlmag and ShipMENT OF ORDERS.

What phath and "mipment ate remuired for the filling athe shipment of groeds? should :clection and provision (1) "equipment be controfled log the sales department if shipping antivitice: are orontrolled".
(.) Planning and Operating of Stock Rooms and Shipping Roons.
Where stock of finished goods are carried mady for shipment, what extent is the application of the principles of rementife manamment ardated to store systems in manufacturing eatablishmente feasible? To what extent is the phaning neersaty 10 aroid excessive stocks and shorts a fimetion of the sales department?
Under what circumstances is it necessary to establish warehouses at other points than at the plant, in order to satis) the requirements of customers with regard to delivery? How is the type of warehonse required to be determined?

## D. Planning ind Scheduling of Shipments.

How can shipments be plamed and schectuled when no stock is maintained? What methorls may be used to insure prompt shipment without entailing excessive costs?

## E. Handling Orders.

What routine is required for the handling of orders? Is it possible to estahlish a standard practice in the handling of orders:" Is the handling of clams for losses during transit a function of the persons in charge of filling and delivery of orders?

* Anvthing approaching complete treatment of delivery of goods, inchuting filling of orders, invoicing, storing, and shipment is lacking. The generat works upon industral management which coutain references (w routing, plaming and operation of stores as applied to manufacturing phants may be of some assistance, but little attention is given to the handling of finished grods. Fece, for instanee. E. D. Jones, The Administration of I mustrinl Euterpives, Chapters XV'II and XX; J. C. Duncan, Principles of Industrial M, Mugement, Chapter XV1H: Hugo Diemer, Factory rogmization ame Aministration, Chapter X1I; Dexters. Kimball, Principles of Industrial Orgmizntion, Chapter X; H. B. Twrford, Storing: Its Leconomic 1epects and Proper Vethonds. Trade putilications in varions lines contain occasional articles with reference to billing, storing, and whping. Roference is mate later to butletins of the National Whancalde (ifomers L-soriation.


## Problem 316

## Control of Packing and Smpping

The Reynolds Company produces a full line of construction machinery which it sells through branches located in all important centers. Packing and shipping of goods are handled by the production department, but the control of warehouses is handled by the service department of the sales division. The work of the service department is stated in the sales organization manual as follows:

Executive: The head of this department is an Assistant General Sales Manager.

Purpose: The purpose of the service Department of the Sales Division is to bandle all business of the sates Division not requiring adtion by the Viee President but which lies outside of the actual businese of selling and the proper handling of a client's order from the time it is taken by the salesman until the transaction has been completed.

The major work of this department (an be expeeted to result from orders, together with the processes of filling them and the necessary ensuing relations with other departments and divisions and with the client. The sperifie duties of the Sorviee Department are outlined in the next succeeding paragraphs. The only exerptien to this generab statement is in the case of specific duties maturally coming under this department but which have been expecially assigned to some other department.

## Divisions of Work

The work of the department ealls for three major sul)departments:

1-Oreler Department
2-Field Inspection di Installation Department
3-Stockkegning Department

## ( (1) ()ider lopartment

This department receives orders from clients through Field Offices, agencies or other soureses, he mail, telegraph or telephone; cherks salos, priese and delivery promises, places the orders in the proper form and tramsmits them to the departments or divisions interested. It keeps proper records, and, mpom shimment being made, invoiees the customer.

The main divisions of this suld－department are as follows：
（＇hicf（＇lork，Order Department，In（＇harge
1swing（lork
Prien Clark
Ramerence（ Imerk
Invoire（lerk
Pite Clerk
Record（lork
Functioning，
Example 1：An order for mite equipment is received ly mat or otherwise frem the District Offiers or from other sources hy the service Department．It is automatically tramsmitted to the（order Department，where the order is then written up on forms provided for the purpose and tramsinited to cach of the following：

On orders for special aquipment or on equipment shipped from factories：

| $P$ |
| :---: |
| Billing（Jerk．．．．．．．．．．．．． 1 or |
| Department Mamager．．．． 1 cor |
| District（）ffied |
| （er I） |

E．rample $\therefore$ ：On orders for standard equipment shipped from stock：

> Atmager of Warehouse
> Making Shipment........3 copies
> Production Division....... 1 (eopy
> Billing ('lerk............. 1 copy
> Department Manager. . . . 1 copy
> District Office. ............. 1 copy
> Sales Order Department . . . 1 copy

Example 3：Repair Orders－These are sent direct by the person or department receiving same to the Repair Shipment Department of the Produetion Division，which department，when they have executed the order，sends one cops，with complete information，to the Order Department． The Order Department cheeks prices and invoices the material the same as is dome in the case of orders for unit equipment．
（2）Field Inspection（4．Installation Department
This department handles the field work required in the proper installation of equipment or plants，makes inspection of equipment in the hands of the clients at intervals to be determined．（Different classes of equipment will suggest different integrals of inspection．）It handles field work chrountered through complaints of faulty equipment，and
its duties include amy necessary adjustment with the client arising from failure of Reynolds equipment to give reasonable satisfaction.

The organization of this department is,-
Superintendent of Ficld Inspeetion \& Installation, In Charge C'onstruction Fied Inspectors, Industrial Field Inspectors
Functioning,-
Example 1: Notier is received from the Construction Department that Reymolds equipment has been ordered for use on a job of size or for a plant, requesting the personal attention of a Reynolds representative to bring about the most successful installation. This matter, either through personal direction by tho executive of the Reynolds Department or automatically, is placed in the hands of the Superintendent of Field Inspertion \& Installation, who, through his staff, takes charge of the direction of the method of installation, remaining at the work until he is satisfied that the proper use and care of the equipment is maderstood by the client.

Example 2: Complaints are received by the Sorvice Department. With or without the personal direction of the Manager, these are turned over to the Superintendent of Field Inspection \& Installation, who either personally or through his fied inspectors investigates the matter and brings about an adjustment with the customer. (Under the heading of "Reports" will be found an outtine of a report to be made on complaints.) An adjustmont may be of sucl magnitude that final decision will rest with the head of the Serviee Department, but, as a gemeral rule, the duty of making adjustments rests with the superintemdent of Fiedd Inspection \& Installation.
(3) Stockliceping Department

This department is responsible for the actual operation of the various warehonses and hathes the work of keeping the necessary contratized stock records.

The organization of this department is ats follows:
Warehouse stockkeeper
Stock Record (lark
Warehouse Men.

## (uestion

Should packing and shipping be removed from the Production Division and be placed in the service Department of the Sales Division?

## Prombem 317 <br> Systen forl Havidana ObDERS

systoms for handling orders vary witlely, flepending (1) 0 (1
(a) Sizo of comerom and necessity for control.
(b) 'Types of produrets hatadled.
(c) Trye of business, whether manufacturing or merchandising.
(d) Location of branches and mamafacturing plants, and so on.
A simple system used by a large number of concerns may be briefly outlined as follows: 'The order taken by the salesman is made out in triplicate, one copy given to the customer, one retained by the salesman, and the original sent to the house for filling. In the house the order is copied, sometimes being distributed on different orders according to departments. The form may be made out in triplicate, one remaining in the sales department, one going to the stockroom, where it is filled and checked, and the third copy going to the credit department. If the credit department O. K.'s the order, this copy is retmen to the sales department, and, after filling out and pricing, the original is sent as an invoice and the second and third copies filed according to the nature of the particular company.

## Questions

1. What are the weaknesses of such a system?

2 . Under what conditions does it give the needed control."

Problem 318
Billing: sistem
A wholesale grocer uses a billing system which may be outlined as follows:*

The order is written by the salesman with indelible pencil on the customary order form. . After passing Credit Department and Order Desk, the order is given to the duplicating clerk, by whom eleven copies are made (without re-writing) on a duplicator. Ten copies are sent to the various departments of the house, so that the goods may be marked and sent to delivery platform for shipping. The assembling of goods to be shipped to any one customer or by any one railroad is done only on dock. The eleventh copy is sent to Billing Department, and from it a "skeleton" bill is made: i. c., bill complete with exception of extensions: this does away with the crowding of billing clerks at each end of day.

The invoices are mailed the day after the goods are shipped, unless goods are being sent to nearby places: in which case, they are sent out same day. When an order has been billed, it passes through the thipping Department for attention as a bill of lading, which has previously been made out, and then is given to a clerk who has temporarily filed the various skeleton invoices. This clerk then compares each skeleton invoice with the charge sheet and makes any changes on the invoice necessary to make them agree. Invoices and charge sheets are then sent out to Dxtension ('lerk; here, two women spend half their time extending bills in pencil: one extends the charge sheet and the other the invoice. and the totals are compared. The Extension Department makes about 7,000 extensions per day, and there is not an arerage of one error in arithmetic a month.

The weight column on our charge sheets and billheads is the column where the total contents is shown. For instance, for an item of ten cases of tomatoes the weight would show 20, signifying that there are

[^31] proed by the toren; therefore, the extemeion would be twenty times the prier per dazen. Wo hate the weight
 filling in on invoice abd othor on rharge sheet: thus,

'There is still further ehoek on extomsions when charge sheots patse thromg the Profit Depratment. The profit rlerks real the entire item, atmd the item is re-figured with the eoset as a moltiplior and the total resit of the item is shown on the shert direretly opposite the total of the eharge. If ath item shows exeresive profit, of shoms below oost, thore is an insestigation.

The eharege sheets are in the files on the morning of the fourth day after shipment. There is no eheck on prices other than the careful examination of the ( ommtry D) erk.

## Question

Is the system one which should be adopeded by every wholesale grofery".

> P'ROBlLEM $31!$ )
> MANGFMTIRER' (ORDER-FILAN( SYATEM

The Hemberan Machinery ('ompans of Buffalo. Now York, sells both mathinery amd fartory supplies. Branches have been atablished in principal cities. Larger machmery is sold direet to fatotories and mills. while fatery supplies of varons types are sold through the dealers. It the man offiee orders may be received:
(1) Direct from salesmen going out from Warehouse;
(2) From factories ordering dirent:
(3) Orders may come from brameh offices for direct shipment to customers;
(4) Requisitions from branches for replenishment of stock.

Although there are stockrooms at sales headquarters, complete stocks of machines and supplies are not maintained. The large machines are shipped direct from factory, while for some of the slow-selling supplies purchases are made only upon the basis of orders received. In filling orders, the initial step is the filling out of the order blank. Three copies are made for orders taken at the main office: one is called the original; the second called the customer's copy'; the third is the tissue copy retained by the salesman in his order book. For orders taken through the branches there are four copies: first, the branch original ; seeond, the branch customer's file copy; third, the customer's copy; and fourth, the salesman's copy. The form of this order is very simple, containing merely the usual heading-date, customer's number, branch number, salesman, branch, shipped to, address, charged to, shipped via, whenwith "All orders are subject to acceptance by our main office at Buffalo and contingent to any conditions beyond our control." Since the nature of the products varies widely, no special ruling is used.

When the copy of the salesman's order is received at the main office, four order forms are made out at one writing. The first of these, headed "Factory," gives date shipped, Buffalo order number, 'ustomer's order number, and how shipped, with the name of the customer and shipping directions. The second copy contains memorandum of shipment. The third is called "bookkeeping copy" and the fourth "file copy." The only difference between the copies is that the factory copy has inserted "Please send the goods mentioned below and charge to our account, rendering invoice promptly for this order only to the X Machinery Company, Buffalo." This copy of the order is used only when the order is to be filled from the factory or the plant and goods are not in stock at Buffalo. If the goods happen to be in stock, the factory copy is destroyed. The file copy is sent to the stockroom, from which the order is filled, then returned to the order department and filed with filled orders. The memoran-
dum of shipment is sent to the shipping department and returned to the order department when the order is lilled. 'The order is then prieed from the reeords in the order department, reoorded on the eops marked "bookkerphne." whirh is then sent to the bookkeeping department for charging and invoicing. When the order cealls for antieles manafactured by the eompany at any of its factorios but not kept in stock at Buffalo, the factory eoper is eont to the fatotory to be filled together with the bookkepping cops. The bookkeeping cope is returned when the order is tilled and the charges are recorded upon it. The file eopy is filed in the eustomor's folder matil the order is filled, when it is filed mmerically with filled orders.

If the anticle ordered is one which the company handles. but which is neither mamufactured by the company nor kept in stock, the factory copy of the order (properly addressed) is sent to the company from which this artiche is customarily purchased (as derermined by the purchasing department).

In order to maintain stock of articles in which demand warrants and to give control of stores, the company uses a stock card giving amounts received and disbursed, balances, and list of orders. The headings of the cards contain description of the article, its location in the stockroom, concern from which purchased, maximum and minimum stock limits. White cards are used for articles which are commonly carried in stock; red courds for anticles which are purchased only upon receipt of orders from customers. By ghancing over the red eards it is a comparatively simple matter to decide whether or mot demand is sufficient to warrant stocking a particular articke. When the minimmon amount has been reached in the stockroom for any particular article, the usual procedure is to send requisition to the purchasing department containing a brief transeript of information from the stock card as to customers and amount needed to keep up stock.

When a branch office salesman secures an order, the original and first carbon copy are sent to the branch office, the first carbon being for the customer's file and called "branch customer's copy:." The customer's cops is of course given to the customer, while the fourth copy is retained in the branch sateman's book. If the material sold is stocked at the branch, the procedure of copying the order is much the same at at the main office. The copies of the order made from the original salesman's order are as follows:
(1) Factory copy, used only when shipment is to be made direct from factory.
(2) Bookkeeping copy, destroyed if order is filled from stock.
(3) A file copy, used the same as in the main offiee, sent to the shipping room and returned after filling.
(4) If the order is filled from outside purchases, there is a so-called "extra" "ops, which is kept in the cost folder. This is kept in a file until the order is filled, then the file copy is substituted to show that the order is filled. For certain types of shipments this is put into the customer's folder for reference.
(5) The memorandum of shipment.
(6) The sixth copy is the branch file copy, filed by order numbers. I special form is used for filled orderfrom dealers for supplies, and one of the four copies called the "stock-clerk's copy" being sent to the stockclerk where the order is filled. The second is the bookkeeping cony, sent with the stock-clerk's cony to the stock-clerk and returned after filling to the bookkeeping department. The shipping memorandum is sent to the shipping department and returned to the order department when the order is filled. The order is then priced from the records and recorded on the copy marked "bookkeeping," which is sent to the bookkeeping department. The offiee ropy is filed according to customers.

## (Juestions

1. Does the system indicated give the desired control over orders and shipments."

2 . What changes should be made in order to adapt it to a business filling orders entirely from stock, but having the same general orgamization of branch offices?

Probley sen
Applacition of sientife Methode to Packing AND Shmprisg
The C Cifford Manufacturing Company is located in a suburb of Chicago near the junction of two important railroads. This location gives good service for shipment toward the East and southeast. Motor truck express service is arailable for Chicago and suburbs, while the American Railway Express operates on both of the railroads.

The company's products comprise a line of absorbent gauze and cotton for surgical and household use. The gatuze products are in seven main classes: bolt goods, sewed goods, cut goods, gauze rolls, bandage rolls and bandages, gauze ends, seconds and shorts. The cotton line inchudes five grades: standard (which is the best grade), dispensary (next grade), waste, filter, and jewelers' cotton (used for liming jewelry boxes). In its proceses the company is a cotton textile finishing company, cloth being purchased in the grey cotton in the form of raw cotton, waste, strip, or combing. Separate storage is provided for cotton and grey cloth as raw materials, and for work materials. The products of the company are sold both to consumers, particularly hospitals, and to dry-goods wholesalers and retailers, wholesale druggists and retail druggists for resale.

It is the custom of the trade to give orders which call for delivery amost entirely on wo days: the first and the fifteenth of the month. The daily volume of orders received fluctuates greatly. It is influenced by the cotton market, becanse the prices of the finished product bear a close relationship to the price of raw material.

When an order is received by the company, it is first of all passed to the credit division of the accounting department for approval; secondly, it goes to the order division of the sales department, where it is registered. indexed, and transcribed. Nine copies are then typed upon the billing machine. Sis the third step, the order goes to the planning division of the mill, where it is ascertaned whether or not the material is in stock; if so, deductions are mate from the balance-of-stores card and arrangements made for manufacturing orders for the materials not on hand. The order then goes to the stockrooms or the work material stores division, where the items are picked out. They are then sent to the packing division for packing and to the traflic division for shipping. Finally, the order reaches the accounts receivable division of the accounting department for billing. The nine copies of the order are distributed as follows:
(1) Invoice copy.
(2) Invoice duplicate copy to billing division.
(3) Siales book copy.
(4) Statistical department cops'
(5) Sales office copy.
(6) Acknowledgment to customer.
(7) Order department copys.
(8) Plaming department copy.
(9) Shipping order copy:

Copies 7,8 and 9 are dispatched by hourly mesisenger service to the plaming division of the mill.

In the plaming division there are three persons: one supervises the order of work, another is the information clerk, and the third is the clerk who writes out the
requistions of work material stores, keeps the records and the files. The time at which the order is received is stamped on the three coppes. They are then elassified as "curvent" or "future" orders, depending upon the delisery date epecified. I "future" order is regarded as any order which calls for delivery more than two weeks in atsance. Orders to be shipped within two weeks are classified as "at onec" orders or "urgent." They are classilied further as "express" or "parcel-post" orders, "urgent," "freight," and "all others." "Express" and "pareel-post" orders are to be shipped within 24 hours, "freight" orders within 48 hours, wherever stock is arailable.

Ifter orders are arranged according to priority, they are given to the clerk handling the balance of stores records. If the goods are in stock, the items are marked "ship": if not, they are marked "make." When the orders come back to the sales order group, "ship" orders are sorted from "make" orders. "Make" order: then go to the overdue file and are held until materials are manufactured and received. The "ship" orders are given to the issue-writer, who makes out a separate requisition for each item marked "ship." The number of such requisitions is noted on the order. The orders or issues are then ready for dispatch to the storerooms and to the packing-room, one copy being kept in the active file of the plaming department and the requisitions being sent by messengers to the work material storerooms and the shipping order copy taken to the packing department. When the goods have been picked out in the storerooms and sent to the packing floor, the refuisitions which the stores division has filled are sent batck to the plaming division. The traffie division determines how the goods will be parked and sent, stamping on the face of the shipping cops of the order classification rate and shipment. The packing foreman then checks off the items on the shipping order: and, when all items are assembled, the foreman gives the shipping order to his assistant, who trpes three eopies of the packing slip for each container.

The factory is operated on Taylor principles with considerable success. It appears, however, that the packing and shipping department does not operate so smoothly as is desired, frequently clogging up and rendering it impossible to give the amount and type of service which the company wishes to give.

## Questions

1. How should the company go about developing standard practice in packing?
2. To what extent can Taylor principles be applied to packing and shipping?

Problem 321
Establishment of Warehouses tu Fachlitate Delivery
The Haskell Biscuit Company, of Rochester, produces a line of biscuits and crackers which are widely advertised and which are sold upon a quality basis throughout the territory east of the Mississippi. The company maintains warehouses in Philadelphia, New York, and Chicago to facilitate the shipment of its product to dealers in the vicinity. In New York the grocery wholesale district is in the downtown section, while the retail grocery business is scattered widely over the entire metropolitan area. Fresh stock is essential for continuance and development of a biscuit business. The sales manager of the company claims that these warehouses should be discontinued and that shipment should be made direct from the Rochester factory ; he contends that delivery will be made as promptly as if sent to the warehouse.

## Question

What action should be taken?

##  <br> Remerve storks at Branell Offate

The Randolph-Welburn (ompany, mamufacturing saws, machine knives, and files, operates factories in Cleveland, in Pittsburgh, and in Worerester, Mass., and abso a steel mill in buffalo. The eompony's ammal sales in 1915 exeeded $89,0000,000$ and for the first three monthe of 1916 were rumming at the rate of approximately $811,000,000$ per anmmon.

This companty distributes its product through 11 branch officesin various parts of the Enited states and C'anada. These branch offices sell direct to large consmmers, and to the retail trade, surh as hardware stores. It has been the custom to carry at each branch office from two to three monthes supply of the different lines mamufactured. The quantity for the various items is determined by a careful study of the sales in previous years. Approximately fou months supply of finished material is kept in stock at the factories.

Whont Mas, 1916, the branch managers were continually reporting to the main oflice, which is at Worcester, that two or three months' stock was not sufficient to take care of the constantly increasing demand, and they requested that all reserve stocks be stored at the branch oflices. With the possible ex(reption of eircular band saws, which are to a large extent sold on the Pacific ( 'oast, the market for their other products is farly divided among the rarious branches.

## (buestion

thould the manager of the Randolph-Welburn Company comply with the request of the branch office managers and transfer the reserve stocks to the branches".

## Problem 3e3

Prionty of Parts Orders Oyer Machine Orders
The Deyfoot Manufacturing ('ompany is engaged in the manufacture of textile machinery and machine parts. The total sales amomet to approximately $\$ 6,000,000$ a year, of which $\$ 1,000,000$ represents the sales of machine parts.

The execution of work in the plant has been systematically developed, and, as a result, the production department for the past number of years has been able to send their selling organization definite schedules showing delivery dates for different types of machines. For example, one of these reports would show that the sales force could promise a delivery date on type 22 of from three to four weeks from the time an order was taken. The company manufactures for stock and carries in a special service storerom many of the standard parts of its machines in order to give its customers service on the replacement and repairing of parts.

As a result of this coordination between the production and sales departments, the company has gamed a reputation throughout the country of always delivering finished machines on the dates promised and of giving good service on repair and replenishment orders. The executives have taken great pride in this reputation, and the sales manager always makes it a point in training new salesmen to impress upon them the necessity, when talking with prospective customers, of stressing the fact that the company always lives up to promised delivery dates on finished machines.

During 1919, the company was 22 week: behind in its production program, and it frequently happened that the factory was out of stock on parts called for by customers for repair orders. In fact, in filling these parts orders, the production department was at a loss as to whether to give a machine order priority over a parts order. 'The head of the production department, therefore, asked the sales manager and the president of the company to advise him
whether in their opinion parts orders should be given priority over mathine orders.

## Question

Should the sales manager and the president of this company have established the policy of giving parts orders priority over machine orders:"

## Prablem 304

## Standabizatios of Foms-Pchechase Order

The Committee on standardization of Forms of the Sales Managers' Bureau of the st. Louis Chamber of Commeree has sent the following letter to sales managers:

Inerewith, please find draft of tentative form of purchase order submitted by the National Association of Purchasing Agents. You are probably aware that a stambard invoiere form has already beern passed on and adopted.

The National Asociation of Purchasing Agents, with whon we are cooperating, have asked our membership for an expression on the purchase order form and we would appreciate your going over this carefully and advising us of any suggestions or changes which may seem necessary.

It appears to us that a space or additional line, should be added right under "shipped to," reading "Charge to," becanse it frequently happens that an agent will receive an order from a sub-dealer to be shipped and charged to a third party.

You will note there is a sereond sheet attached, carrying optional eonditions: which may be embodied in the purchase order. It appears to your committee that the wording on this purchase order forms a one-sided contract in faver of the huyer, and that clause limiting reasons for cancellation should be made a part of this purchase order; also (lanses as to limitations of quantities and liability from aredente or damages due to misuse or abuse of the articles furnished. While we may not be able to get the Purchasing

Agents' Association to arlopt such clatuses, nevertheless they, and perhaps others along this line, should go on the forms used by your own salesmen when taking orders.

The form submitted follows:
Form No.
PURCHASE ORDER JOHN DOE\& ('O.
100 WEST STRELT
BONTON, MANS.
()RDER NO.

This mumber must appear on invoire, $B / L$, cases, fundles, patcking lists, and correspondence.

Date
192...

Req. No.
Dept.
stores orl
Div. No. i
seller's No.
Seal, trade-mark, or insignia can be used in this sparer.

Please SHIP the following merchandise sUBJECT TO CONDITIONS below:

| Ship to <br> Date to be shipperd | hhip Viir |  |
| :--- | :--- | :--- |
| Quantity | Mrtacles | F. O. B. |

```
TENTATIVE FORA NO. 1. of
STANDARDIZED PURCHASE GRJDEK
DRAW゙N゙BY
STANDAIDIZATION COMAITTEE
of
```

NATIONAL ASSOOAATHON OF PURCHAKING ACENTS SIZE S!, X 11
NUMBER OF COPDES OPTHONAL (OLOR OF ORIGINAL, NOT YET DETERMINED.
Mail invoices (in duplicate) and original B/L to

## IMPORTANT (ONDHTIONS

1. Mail acceptance of this order immediatrly.
2. No charges allowed for boxing, packing or crating.
3. If prices are higher than specified, do not ship. Achise us.
4. If price is omitted on orrler, it is agreed that your price will be the lowest prevailing market price.

## 万is


6. (ionds subject to onr inspection on arrival mowithstanding prior pas-

7 (Gouh rejected on acemont of inforior quality or workmanship will be returted to yan with charge for tramportation both ways, and are
 order from us.
8 It is agreed that poods onderal abows shall comply with all federal Laws relatise thereto, and that yon will defond and save harmens this
 mfringethents of lethers patent conforning sathe.
4. (Orders mot shiperel on the date sperificed may be cancelled by us. In chas oreder calls for partial shoment, batance may be canedled or suspobled upon motice, and shapended shipmonts may be later tahen ont if of os before last shipping date specilied.
10. If these combitions are not aceptable plemse advise us on receipt of the orders, and before yon make any shipment.

## Purchasing Agent.

The following were suggested as optional clauses to fit needs of particular concerns:

Invoices in duplicate, shipping memorandum and bill of lading with full routing must be mailed to us at. . . . . . . . . . . . . . . . . on date of shipment.
Unless otherwise specified paymente of invoices are subject to a cash diseomen on 15th of month following receipt of invoice.

Material will be received subject to imspection and if found defective, or not in accordance with specifications, will be returned at your expense.

A delivery receipt showing order number and description of material must accompany all City deliveries.

By accepting this order you agree to defend, protect and save harmless ................, its customers and the users of its products, against all suits and from all damage claims, and demands for actual or alleged infringements of letters patent by reason of the use of the articles hereby ordered.

We reserve the right to cancel this order or any unfilled portion thereof if deliveries are not made as specified herein.

If this order is subeontracted the subcontractor must be instructed to mank all packages with this order number.

We will not accept substitutions.
This company reserves the right to cancel all or part of this order if not filled within the specified time.

By paying your invoiee before arrival and inspection of our purchase we avail ourselves of the cash discount only, and do not thereby accept quality or quantity as approved.

All goods shipped on aceome of this order will be carefully inspected, and if rejected liy us on account of material,
workmanship or other defeets, same will be held subjeet to your orders, freight and cartage ehargeable to your aceount, and when returned are to be replaced ONLY on replaeement purchase order.

The Supplier herein gatantees that the sale or ase of its product will not infringe any United states Patent or process of manufacture and fowenants that it will, at its own expense, defend erory suit on action which shall be brought against. . . . . . . . . . . . or those selling or using any product of the Supplier, for any alleged infringement or claim of infringement of any patent or process of manufacture by reason of the sale or use of product and agrees that it will pay all eosts, damages and expenses which might sustain therebs.

## Questions

1. Shoukd a sales manager accept orders subject to conditions expressed in this form"?
2. Are any clauses objectionable from view-point of sales manager"?
PAR'T

## ADMINISTRATIVE POLICIES AFFECTING SALES MANAGEMENT

## PART X

## ADMINISTRATIVE POLICIES AFFECTING SALES MANAGEMENT

## OUTLLNE

A. Financial Poliches.

Financial poliey of the conerem as determined be the administration, that is, the board of directors, president or other general executives, fixes the amomet available for development of sales and the volume of sales, which under given conditions can be finaneed. Chamels of distribution, extent of advertising, size and character of sales organization, and certain salles policies depend largely upon predetermined financial policy.
B. Production Policies.

Policies with respect to the mature and quality of product, manufacturing for stock or to order, volume of production, and standardzation will often be determined by administrative authority and will in the same degree limit the sales organization's choice of poliey and method.
C. Organization Policies.

General organization policies of the administration will determine:
(1) The authority of the sales department.
(2) The place of related sales activities, such as export, advertising, sales promotion: relation to the sales department proper.
(3) Relation of sales department to other departments of the entemprise.
(4) Location of main sales office.

The selection of the ehief sales executive is likewise an administrative function.

The administrative heads of the business frequently fetemmen the eromeral mature of matioting methods: for instance, whether goonk are to be sold direct to romemmers. he mail-oder methods, or through the metomaty midfleman. Liknwier, major policies


The gemaral nature and extent of control of sales小epartments bey administrative olle ere-budgetary control, mater phaming.

## (BENERAL QLESTOONS

## A. Fininceal Policies.

Civen ectain capital resourees, how much can be set aside for the development of sales? To what extent should this amount be detemined for the sales manager? To what extent by the sales manager? By determining the amount of working capital available for finaneing sales, does the administration determine also the channels of distribution, the extent of advertising, the size and character of the sales organzation? How does limited working eapital affect sales policies?

## B. Prodection Policies.

To what rxtent is the detemmation of nature and quality of product to be manufactured a matter for administrative decision or to what extent should it be Ieft to the sales department? In what way should the administrative anthorities provide for coordination of production and sales? Should a company attempt to lift ite products out of the class of staples or unidentified goods: if so. what changes should be made? To what extent thould these matters be left by the sales department to higher athorities?

## C. Organization Policies.

What should be the limits of authority of the sales "epartment". What should be the relationship between the sales department and the various forms of sales activities, such as export solling, advertising, and sales promotion". What should be the relation of the sales
department to non-selling departments? What should be the location of the main sates officer? Whom shomld the enterprise select as chief sales executive". How should he be selected?

## D. Marketing Policies.

To what extent should administrative heads of a husiness determine general marketing polieies? Shoutd the decesion as to direct sale to retalers or other departure from traditional chamels be deceded by the sales matnager or by the administration? 'To what extent should policies regarding advertising, brands amd servier be determined by general exerutives and administrators".

## E. Control.

What should be the general mature and extent of control of the sales department by the persident, general manager, and board of direetors". Does the hodget system give sufficient control of the sales department?

## PROBLEM S S

Determinition of Policy by Amministrative Authority-Selection of Shaes Maniger
The James Engineering ('ompany owns concessions under the patent rights for U. s. and mamufactures in small quantities an automatic lubrication system for motor vehicles. With attachments, this system can be adapted to any of the cars in the class selling at $\$ 1,000$ or over. The device is of Emropean origin, having been suecessfully applied to many of the famous European cars. While the sales in Europe have never been large, the device has been in use long enough to assure the company that it is correct from an engineering view-point and from the view-point of actual service. The president and bond of direcetors of the engineering company are all men interested primarily in engineering and manufacturing activitios. They have no desire to establish a salse organization. The lubricating systems have in small quantities been sold for several years, but never over $1,00(0)$ sritems in any one year.

The excess capacity of the factory during the war was med for mamfactming amoplame parts for the （iosemment．Cown the camedation of these con－ fracts，the James Einginerring（ompany found itself with an excessive mamfacturing eapacity，and the dirertors were at a lose to know how to increase sales of the lubrication device．．Wout this time，they were approathed by a certain group，who proposed to take over the sales of the lubriation system in return for exclusive selling rights in the lanted states．The contracts，as finally agred to，relieved the engineering company of any necessity of contimuing sales efforts． The sales company，then formed under the name of the Sutomotive sales Corporation，agreed to pur－ chase for resale at least 8,000 of the lubricating systems each year，in consideration whereof they were to have exclusive sales rights．The purchase price fixed by contract was s50 per system，including attachments for various makes of cars．Payment wats to be made upon the first and fifteenth of each month for all stock invoiced since the previous payment．In addition， the engineering company was able to secure the promise， incorporated in the contract，that at least $\$ 30,000$ per annum woukd be spent in advertising the product．

The capitalization of the Automotive Sales Com－ pany consisted of $\$ 100,000$ par value preferred stock and 2,000 shares common stock at no par value： 870,0000 of the preferred stock was issued，of which $\$ 20,000$ was paid for the equipment，good will and arcounts receivable of the three existing stores．The other 50,000 was paid in eash．The borrowing capacity of the concern was，of course，limited，although on perwonal endorsment of company notes，the oflicers could probably secure $\$ 50,000$ additional． The group of men composing the sales company under this agreement had been interested in the trade in automotive accessories and had，for a year or two previons，maintaned a store in which the sale of this lubricating device was featured．The company as formed took over this branch store and assumed cer－
tain obligations with reference to the establishment of a branch store in New York and another in Cleveland. As a consequenee, when the company was finally formed and its sales headguaters located near the plant in Cleveland, it had already three retail branches: one in Philadelphia, one in Now York, and one in Cleveland.
soon after taking over the sales, the officers of the new company leamed that little care had been taken by the manufacturers to see that satisfaction was given by the lubricating systems already sold and found that there was a great deal of dissatisfaction, not beeause of the incorrectness of the mechanical features, of the system, but because of faulty application of ignorant mechanice. It was felt that, at least until the device was simplified, it was necessary to take more than ordinary care in selecting dealers or in distributing the device to consumers.
(a) No member of the board of directors feels capable of assuming the duties of sales manager. It is proposed by a director that the company should endeavor to secure a man already in the automotive trade, who has been successful. It might be necessary to guarantee a salary of $\$ 10,000$ to $\$ 15,000$ per year.

Among the applicants for the position is Mr. Henry Dorman. During a brief interview, the president of the company was favorably impressed with his personality, but requested Mr. Domman to write a letter which might be referred to the board of directors as statement of qualifications and experience. The letter follows:

## Dear Sir:

The purpose of this letter is to supplement onf recent personal interview, and, as suggested by you, I ann outlining my selling, sate promotion amd adrertising experience, believing that I have the neressary qualitications for the position of sales manager in your organization.

My experienoe in advertising and sales work dates from 1910 at which time I was comened with the adwertising and selling cords of one of the largest department
stome betwern Now York and (licengo, mamely
of Roobhestere.
1 romainod with that rommern matil Mareh 1915 and atcquirol at sast amount of information amd experience Polative to rotail solling and advertising.

I loft to : 1 orept a position as salos promotion man with wi' ('hereland, onm of the combtrys larest makers of women's onter apparel. A! datios with the (leveland roneorn momested of hamding of all dealer prospeets both
 tising amd deater helps for the dealerse local use; editing
 tolheralosdiremor.
 in the adrertising amd dealer lompe division of Rubher ('o. of Akron, ().

While with that company I dial eomsiderable traveling atmong the dealers for the purpose of selling them on the value of looal aldertising; ako to educate them to make nese of the dealer helps which were fimnished by the combany. I also prepared the pmemmate tire adrertisements and was a member of the adpertising commite which pased on ath matters mating to the company's advertising and new dealer sales policies.

In addition, I had supervision of the eompany's window display division, the duties of which consisted of designing all window displase, both for branches and dealers.

In Fobruary 1918 I was offered and aceepted the position of atrertising manager with The . . . .... Motor ('orporalion of St. Louis, makris of ....... . motor trucks. In addition to my duties as ad man, I also assisted the sales mamager, hat was not ofliablly promoted to the position of assistant sales mathager matil Jamuary of the present realr.

My dutios in the solling organization of ('ompany consisted of exactly the same nature of work as recuibed of the sales mathager, namely: appointing new distributors and dealers: handing dealer correspondence; doing missionary work among the dealers and assisting them in elosing hard sales : estimating potential consumption; making trade investigations and handling the road men: in fact all of the various daties required of a sales exeroltive romnerted with a concern which has an international distribution.

Due to the fart that ...... output is oversold for monthe to come which ohriously means little need for an
active selling organization, I left that concern May is. I can refer you to any of the officials of the company.

I confidently believe that with my advertising and sales promotion experienee, particularly with the athomotive and tire industries, 1 can make my serviees of murh value to your organization, and if given the opportunity where diligent, creative work will be apprectated, l will make good to the entire satisfaction of all eoneremed.

Realizing that a yomeg and growing concern is burdened with great expense, I am willing to stat with your organization at a vearly salary of 83900 or $\$ 7.5$ a werk, until such time as distribution and sales have reached a point where my servies would be worth more. la addition to the work of directing the sales, I should be pleased to supervise the company's advertising until the servieres of a permanent advertising man might be required.

1 am 33 years of age and married.
I want to thank you for your kinchose in granting me an interview and will greaty apprectate anything you will do to have my application given consideration.

Yours very truly.
References: (Four officials in companies with which Mr. Dorman has been eonnerterl.)

## Question

What action should be taken upon this application"?
(b) Since the renewal of the contract from year to year is contingent upon fulfilling its obligation of selling at least 8,000 systems ammally, the board of directors of the company must determine certain matters of general poliey. The financial resources of the company are so limited that fimancing of sales presents a serioun problem. It is expected that the systems can be sold to dealers at an arerage of $\$ 75$ per system net, but such sales must be made in small lots and require much effort both in effecting sales and in securing proper installation. On the other hand,
the entire output wonld be taken mp if one or two larger antomobile mambitatmers ronld be induced to feature the sistems as stamdard equipment. Howeror, the priee whicla combl be secured would undoubtedly be considerably les than 575 , probably not over Sis) per sistem. While the suggestion has been made that the whole matter be left to the sales manager to be appointed who might dispose of the 8,000 sets as 'he saw lit his term of office depending upon his sucoess, the other members of the board feel that they mast decode this (puestion berause the type of sales manager to be rhosen will depend upon the decision.

## Questions

1. What poliey as to sales for standard or factory equipment should be adopted."
2. How will the decision influence the building of the sales organization".
3. How will sales policies as to chamels of distribution and credits be affected."
(c) The manufacturing company has agreed to replace systems or replace defective parts, but there is considerable cost involved in having these parts replaced by competent mechanics. Customers, under a guaranter which has been given, object to paying the cost of this labor. Replacement or repair of all outstanding sets would, of course, be productive of good will, but would involve considerable expense, totaling approximately slis per system for such as are not operating properly. Judging by experience in cer-
 ment on overhanling hecanse of fanlty installation.

## Question

Should the administrative officers give the sales manager carte blanche to adjust complaints under the conditions?

## Problem 3 ? 6

## Administrative Policy Affecting Siles

The Euclid Chocolate Company is an Ohio corporattion which has been in business since 190G. Up to 1913 the company enjoyed a steady, healthy growth of from 10 to $20 \%$ of its volume each year, the sales in 1913 being about $\$ 450,000$. The randy is sold in the territory east of the Mississippi, about $90 \%$ of the sales being made direct to the retailer and some $10 \%$ through jobbers in sections where the company is not in a position to sell direct.

During the war the company experienced an unusual expansion, which reached its peak in 1920 with sales of $\$ 1,253,000$. On the basis of pre-war prices this represented about $\$ 850,000$ in volume. In 1920 the company undertook responsibility through a longterm lease for the erection of a new factory with a capacity of about three times that of the old factory. The following are several of the fuancial statements of the company:

| sTATEMENT OF F1NANCIAL (\%NI)]TION |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Assets | 1909 | 1913 | 1916 | 1918 | 1919 |
| Real Estate |  |  |  |  |  |
| Machinery, Fixtures, ete. | \$12,900.00 | \$39,192.00 | \$42,163 29 | $840,942.81$ | \& 34,512.50 |
| Merenandise. | 29,500.00 | 50,672.00 | 69, 6339.63 | 152,288.41 | 210,217.58 |
| Cash \& Debts, ete | 42,700.00 | $93,775.00$ | 131,960.82 | $162,990.02$ | 201,210.z\% |
| Trademarks, Patents, ete. ! ...... |  |  |  |  |  |
| Goodwill j | 5,500.00 |  | .......... | ......... |  |
| Advertising Reserve. | $2,000.00$ |  |  |  |  |
| Prepaid ltems. |  |  | . .-. . |  |  |
| Notes... |  |  |  | . . . . . . . | 5,200.00 |
| Securities. |  |  |  |  | 52.492 .00 |
|  | S92, f06t.01 | \$183,639.00 | $827,069.71$ | $8356,721.24$ | S536.66284 |

Labilities
（：aputal．

| $815,000.00$ | \＄ 81,000000 | \＄161，100 00 | \＄178，100．00 | $8205,100.00$ |
| :---: | :---: | :---: | :---: | :---: |
| $29,200.00$ | 16．2．23．00 | 20，130．ti？ | 23，4ido．06 | 50，263．815 |
|  |  |  | 14，000．00 | 102，500．00 |
|  |  | 30，900．00 | 8 8， 351.18 |  |
| 15，104．100 | 67.951 .00 |  |  |  |
|  |  | 48.000 .00 |  |  |
|  |  |  | ．．． | 115，044．98 |
|  | 15，13： 00 | 31，939，12 |  | $30,750.00$ |
| S93．400） 00 | \＄143．439 00 | S．27．069．7 | S304721．2t | \＄536．662 84 |

The statements show that capital was increased considerably the sear previous to the expansion to provide working fund and capital required for building． The new factory was ready in the fall of 1920 ，but by that time the large eapacity was unnecesary．The market had fallen，so that only Bo＇；of the new produc－ tion capacity could be used．Furthermore，the com－ pany suffered large losses on inventory and was con－ fronted with large obligations contracted for with the bank in comection with the new plant．The statement as of Dec．31，1920，shows the following：

|  | $\begin{gathered} \text { Preferred } \\ \text { Stock } \end{gathered}$ | Common Stock |
| :---: | :---: | :---: |
| （＇apital stork authorized | 700,000 | 300，000 |
| Par valur of shares． | 100 | 100 |
| Number of shares | 7.000 | 3,000 |
| Number of shares autho standing | 3，497 | 1，626 |
| Paid－in valum | $3.39,700$ | 162，600 |

## Assets

Real cstate
$\$$
Plant equipment．．．．．．．．．．．．．．．．．．．．．．．197，401．77
Machinery．．．．．．．．．．．．．．．．．．．．．．．． $72,431.90$
Merchandise．．．．．．．．．．．．．．．．．．．．．．．．407，386．10
Fumiture，fixtures and took．．．．．．．．．．．．．．．．．17，330．71
Autos，trucks and teams
N゙otes．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．． $9,049.00$
Accounts rereivable．．．．．．．．．．．．．．．．．．32S，238．54
（＇ush．．．．．．．．．．．．．．．．．．．．．．．．．．．．67，28S．63
sесииіties．．．．．．．．．．．．．．．．．．．．．．．．．．34， 779.40
Patent rights
Tradn－manks
（rood will．
Profit and loss．

Capital stock
Mortgages
Accounts payable. ................ 134,626.47
Notes payable. . . . . . . . . . . . . . . . . . . . . . . $435,500.00$
Surphus. . . . . . . . . . . . . . . . . . . . . . . . . . $\quad$. $1,479.58$
Profit and loss
$\$ 1,133,906.05$
At the present time the management finds that it has failed to establish lasting dealer relations. During the war there was extensive distribution, but no intensive work designed to build up good will. When the slump in prices came, many of the dealers who had purchased large quantities of ('andy during the sellers' market reased buying. The company had done no advertising, exfept through providing store signs and window displays for dealers. No periodical adsertising had ever been undertaken, mamly becanse of the difference of opinion among the directors as to the policy to be adopted. Under the conditions early in the war, it was felt that while $\$ 25,000$ or $\$ 30,000$ per year might be expended upon advertising it was impossible to appropriate as much as $\$ 100,000$ a year. The sentiment of the majority of the board of directors was that unless $\$ 100,000$ a year could be spent upon magazine advertising, it was folly to undertake any advertising at all. Likewise, it seems that, during the period of expansion when sales were large and money could be appropriated for advertising, the management had a feeling of false security and spent a considerable amount of the large war profits in unwarranted expansion instead of in buitding up consumer good will. Ls a consequence, the company finds itself in financial strats where further borrowing from the banks means relinguishing control to a bankers' committee.

The price poliey of the company is a uniform, oneprice policy, no concessions being made for (puantity purchases. The company has never adopted the policy of giving special concesions to strategically located deakers. The salemen operate on a salary and commission basis.

In view of the finameial difficulties of the company, the management has cut down its sales fores. One of the mont suceresful satesmen of the company, covering the city of New look, has been withdrawn entirely, as have salemen in other districte. Priees have been cut radically. The company has undertaken, also, to mandfacture a lower grade of product than formerly, thus departing from its policy of selling only a trademarked. high-guality protuct. It was felt that this ation was necersary to meet the demand of the public for a less expensive product. . It present, the company's perition is not improving.

## Questions:

1. As sale manager, what action would you suggest to place the company on its feet?
2. To what extent should the course of procedure suggested require the approval of the president and board of directors of the company".

## Probleal 3 3

## Arope of Administratile Abtion

The Western Railway Signal ('orporation capitalized at 850,000 - $\mathrm{s}^{\prime}$; preferred and $\$ 100,000$ common stock, own the patents of an antomatic, interlocking block signal sytem, which has been officially adopted in Europe on some of the important railroads. It is preparing a test installation of this deviee on a local road: but, realizing that adoption is a slow process, the board of directors wishes advice on certain matters concerning it. other device, known as the Automatic Motorless Electric Flasher. In a statement of the company appears the following:

This flasher was designed esperially for railroad and highway signal work. Its operation eonsists in turning on and off antomatically the electrie current leating to one or more electric lamps. It appears, however, that this flasher has a wider field of applieation, prominent among which is the electrie advertising fiohd, as well ats lighthouses and buoys, and possibly street traffic signals, automatioswitches, elte.

## Ampantages of Thlis Flasher

(1) It has no motors or heat-resistance mats or other parts that would necessitate frequent repairs, but operates on an electro-magnetie pentulnm principle.
(2) The making and breaking of the electrie circuit takes place in a vacumbtube, resulting in perfectly dean contacts at all times, as these contacts camot oxidize.
(3) Its operation is positive and reliable on account of its construction, simplicity and fow moving parts.
(4) The number of flathes per minute can be increased or decreased readily.
(5) The momber of direnits eontrolled can be increased or (lecreased.
(6) The eapacity is 200 volts- 20 amperes.
(7) This flasher can be adapted for gas or oil lamps by having it operate a shielel in front of the light.
(8) Its work is noiseless.

The device has bero in atoal servier operation for two years on signal installations and has proved eminently satisfactory.

The actual cost of the flasher specially manufactured is $\$ 48$, but quantity production will redure this to SBS. The problems eonfronting the Board of Directors atre as follows:
(1) This flasher is beliesed to be a splemelid moans for highway arosing signal protertion, by sembling med flashes upon the approath of at tran as a watning along the highway. This being the catse, it is desired to know:
(a) What is the best methot of matherting such a highway "rossing signal?
(b) What is the actual sales market in this particular ficld?
(c) What pereentage of this business ban we reasonably expect?
(d) What devies are heing exploited at present for sheh work, and at what pricess?
(6) What opportmaty offers export business".
(f) What competition shall we meet?
(2) It is ohvioms that this deviae is applicable to electric *ign : mbertising.
(d) What is thr salkemarket and what pereontage can We reasomahly expert to obtain of this business?
(b) What is the best method of selling this flasherthat is, thromgh peedalty salesmon, johbors, machinery agents, ofr:"
(r) What compertions sall wemert".

## Questions:

1. Are these points proberly within the scope of administrative action".
-. To what extent does the information called for bear upon administrative decision?
2. In a large concern, how many of these matters would be left to the decision of
(a) sales manager;
(b) president;
(c) board of clirectors".

Problem 328
Shem Developaent as Basis for Stock Issue
The following is taken from a stock circular issued by a New York deater in investment securities offering stock of the Ritz ('hemical Corporation at par.

Dearsirs:

## INomporaton:

The Rit\% ('orporation was incorporated under the laws of the state of New York, on Ocィ.19, 1920, and has an authorized (atpital stock of Fifty Thousand ( 50,000 ) shares of


## Business:

The Company is an amalgamation of its business with the entire business, assets, good-will, trade marks, formulae and outstanding accounts of the follewing three companies:
J. W. EDMONDS \& SONS, a co-partnership, doing business for the past twenty-nine vears, matafacturers of the celebrated Edmonds' Electric Metal Polish, distributed wherever metal polish is known. The business of this concern shows excollent rarnings, which can be materially amgmented by the increased facilities, reduced mamufacturing costs and sales expansion made possible through this amalgamation.

SLATER LABORATORIEN, mamufacturers of pharmaceuticals, extracts, etc., and the owner of many valuable formulae, which under this financing can be made to contribute substantially to the earnings of the corporation.

SCHERER, BURNELL \& $九$ ('IIERER, INC', a New York corporation, organized primarily for the manufacture, by a new process, of a non-streaking, readily soluble laundry blue of extremely high cleansing and bleaching qualities, known as "Tru-Bha," for export. This company did a husiness of some Two Thonsand ( $\$ 2,000.00$ ) Dollars per month, and has entered into a valuable contract with a large exporter, having representation in 21 foreign combtries, covering the distribution of its laundry blue, to the exclusion of all others. The contract runs for eleven years, and as an indication of its value, if only the minimm guaranteed amounts provided in the contract are taken theremoler, means an ammal net income sufficient to pay a handsome dividend on the entire issue of stock.

In addition, it is now negotiating for the agency in this country for foreign dyes and ultramarine blue. The securing of this agency will enable it to secure its raw products more cheaply, obtain commissions for the sale in this country of these products and thas materially increase its income.

Pending the return of normal exchange and export conditions, this company has entered into the domestie field, and in addition to immorous small customers, has on its books the following:

John Wanamaker, Philadelphia, Pat.
Strawbridge \& Cothier, Philatelphia, Pa.
Lit Brothers, Philarlephias, Pat.
Thomas Martindale, Philarletphia, Pat.
Baltimore Bargain House, Baltimore, Md.

> 1):mind Romese Ine. (1s0 shores)
$\therefore$ Kresge stores
IV. R. (irator © ('ompans
R. ('. W'illians de ('ompany

Gmeonta Whalasalde (irocery (ompanys
amd mathe other well komw foms.
 for wher valuable problats the mambiacture of which has not beon lexqum, hut which shomald provide additional


In addition to the forequing, the Ritz ('hemical Corporatlion hats acquited sole rights to the following well known trade marks: "(ireyhomad," "Jiffy," amd "speedo,"


Through the researeh of its ehicf chemist (who, it might be sail, is responsible for the fommare of very many of the best known chemieal produrts in this list on the market) and the acguisition of the abowe commerated formulate, this company is marketing maler its "R-IT-Z" trate mark a 100\%; line of ehamical producte that exeets any other line on the market. This line comprises a complete line of anto sereatione, which are sold to garages, anto arecessory and hadwamestores, as well as hotel, restament, houschold ant Factory supplies and some painters' and phombers' supplies.

A list of the produrt: now mandeadered is shown below:
Aerosperdaties:
R-I'T-K Bonly Polish
R-ITY-Z Liquial Motal Polish
R-IT'K Paste Metal Polish
R-IT-K Body ('leance
R-IT「-Z Top Dressing
R-IT-K Molal Polish

R-IT-Z (:abon Remover
R-IT-\% Tire Paint
R-IT-Z Tar Ramovor
R-ITT-Z Wind shiodd Paste
R-IT-K Mand Pasto
R-IT-Z Anti-Froere ('ompound
R-IT-Z Rathator ("omont
R-ITT-Z Valvo (irinding ('ompound
R-ITT-\% ('hateh and Bodt ('mmpound
Hotel, Rbaracravio and Hoúabhole Supples:
R-I'T-K Iloon (oil
R-IT-Z ('opper Polioh
R-IT-K Liguid Metal Polish

R-IT-Z ('omnter Top) ( Ol<br>R-IT-Z Dance Floor W:x<br>R-IT-Z Silver Polish<br>R-IT-Z Soda Fomntain (ream Polish<br>R-IT-Z Kuife Cleaning Polish<br>R-IT-Z Linolemm Cleaner and Reviver<br>R-IT-Z Furniture Polish<br>R-ITT-Z Roach Powder<br>R-IT-Z Rug and ('arpet ('leamer<br>R-IT-Z Wall Paper ('leamer<br>R-IT-Z" Brush-Renu"<br>R-ITT-Z Disinfectant<br>R-ITT-Z Drain Pipe Solvent<br>R-IT-Z Washing Machine Powder<br>R-IT-Z Crude ('hemicals

By reason of the location of its plant at Newark, New Jersey, with its excellent railroad and tidewater facilities, and with a good class of labor readily available at all times at reasonable wages, in addition to its extremely low overhead expense, this company is in a position to produce and sell better goods more cheaply than its competitors.

## Management:

The managenent is extremely conservative and highly competent to conduct the affairs of the corporation, having successfully managed other propositions of similar nature for many years.

Estimated Earnixio:
The sale of only one-quarter of the present daily capadery production of its leading products alone would mean a net daily income of $\$ 125$.

In addition, the present madhenery ean produce at the same time all of the other producte sufficient in quantity to add at least $\$ 25$ to $\$ 50$ daty income, to be conservative, or total daily carnings of $\$ 15010 \$ 175$ a day.

Based on the foregong, a conservative estimate of earnings, figured at today's costs for raw materials, would be from $\$ 4,000$ to $\$ 5,000$ per month, or from $\$ 40,000$ to $\$ 50,000$ yearly, or a rethm of $20 \%$ on the investment.

Purpose of lisule:
The purpose of this issue is to further improve its facilities in order to reduce costs, develop its salders, creath a national sales organization, properly advertise aud distribute its products and thas increase its business and profits to its stockholders.

Yours very truly.

## (buestions:

1. Sermming that eertain eromomies may be secured in production. is the comendidation likely to be able to offect large exomomios in distributing its product?
$\because$. ls the infomation given suffiedent for the investor?
2. Is it comelusive from the riew-point of the investor?
3. Tre the deretopment of sales, ereation of national sales organization and advertising proper puposes for stock iswice.

## Probleal ! O? <br> Derentralization of Siles Orginhzations in INDE'sthill ('Onsolidition

The (ilidden ('ompany was reorganized in 1919 as a consolidation of the following companies: The Glidden ('o. of C'leveland, Ohịo; The Cildden ('o. of Texas: The (ilidden ('o. of Massachusetts: The Linseed Oil Mill Co. of st. Louis: The (:lidden Nat Butter Co.; The Adams and Elting (\%o. of Chicago: The American Paint Worke of New Orleans: T. L. Blood \& Co. of st. Paul, Mimesota: The Campbell (ilase and Paint (or of St. Louis: The Forest City Paint and Varnish ( $o$. of ('leveland: The Nubian Daint and Vamish Co. of (hicato: The (ilidden (o. of California; The (ilidden (oo. Ldd., Toronto, (amada: The Heath and Milligan Manufacturing (o. Chicago: The Twin City Varnish (o.. St. l'aul: The A. Wilhelm ('o., Reading, Pennsyania.

Acoording to the description in its published reports:
The American Paints Works of New (orleans, in addition to supplying the sout hem states with paints and varnishes,
enjoys a very latge export trade with Mexico, ('ula, Porto Rico and other comerres of Latin America, The ('amphell Cilass of Paint Company of sit. Lomis and Kimsas ('ity supplies the Mississippi Valley and the somthwest with at full line of paints and varnishes. The (ildden Company of California, bocated in Sin Prameisoo, sumeneded to the business of Whitticr-Coburn (ompany and mamfactures and deals in paints and oils. The (ildden ('o., Letd., of Toronto, does a large business in ('anada and also a large export business. The Heath id Xilligan Mannfacturing Company, (hicago, was formerly rontrolled by the National Lead (os, this company has been engaged in the manufacturing and supplying of agriculthal implement paints to the International Harvester (orporation and other similar organzations; also in the manufacturing of house paints and other paints and varnishes. The Twin City Varnish (o. has been congaged in supplying to manufacturers of tin cans, used for food containers, a special enamel used to process the tin plate. The A. Wilhelm ('o. of Reading manufactures fine dry colors used in the printing ink, lithographie and allied trades; also manufactures dry colors for use by paint manufacturers. (ilidden Nut Butter Co. operates plant at Chicago having capacity of thirty tons of mut hutter per day.

In addition to the plants of the abowe companies. company owns plants in (leveland, (), and Reading, Pa. for the manufacture of arsoneal poisons, surh as Paris (ireen, arsenical sheep and cattle dips and other producte used by farmers, fruit and tobateon growers. ede.. and controls through ownership of eommon stock the (iliden Stores (oo, an Ohio corporation oprerating athan of retail paint stores throughout the comitry. Company is the owner of several valuable trate names, sud as "dap-a-late" "Nev-a-rust," "dt-el-ite," "tc. 'The expert department is located in New York.

Any consolidation of this type i.s eonfronted with the problem of secming the greatest benefit of centralization of control of sales and distribution of product without nullifying that bencfit by sacrificing good will attaching to the constituent companies. In absombing the varions concems, the policy finally adopted was that of allowing subsidiaries to retain their own mames and branded producte, while endeaworing to secure some of the benefits of consolidation through representation of some of the factories upon the
board of directors and throngh four regional directors responshle th the execotive committee consisting of the prexident, vierpresident and treasurer. The $1 \cdot 4$ factorics are grouped acoording to location under thene regional directors, each factory in charge of a general manager.

## Questions:

1. Shomld the plan have been adopted"
2. How would the sales organization of the different plants be afferted if it were decided that a central sales organization should be created with headquarters in (Chicago')

## D'soblem :330 <br> Organizathon of Separate (orporations to HINDLE SALES

The Arlington Motors Corporation has since 1917 been engaged in the manufacture of motor trucks in at suburb of Chicago. Recently the proporal has been presented to the board of directors to organize a second corporation for handling sales and a third to finance the sales.

The considerations urged in favor of forming three corporations were particularly the financial benefits and the adrantages to be gamed from the specialization of functions.

A large amount of capital is required for financing automobile manufacturing and distributing. It is asserted that it will be porsible for the Arlington officers to secure more capital with which to carry on the busines through the formation of three separate companies, each of which offer: a fairer rate of return on capitalization than could be secured through one company. The manufacturing plant with the large
amount of equipment and material that must he carried called for much eapital. The sales department must meot the expense of extahlishing and maintaining numerous sabes and serviee branches. mathaining a flect of demonstration trucks. the carrying of an enormous stock of parts in it. bramehes and stations. Lastly, the financing of sales requires :mple capital because practically everyone who buys a truck buys it on a time basis, even when able to make cash payment. The handing of the automobile paper ronnected with these transactions offers a field wherein a separate company can make a good income from the interest on the paper. while at the same time the manufacturing and sales company is relieved of the specialized work of looking after this part of the financial operations.

In general the three conporations would enable a specialization in each; the sales corporation being left free to derote all its attention to the selling field and service work. Further, the presence of a separate company between the mamfatures: and the dealer or consumer is thought to give more equitable relations with all than is ganed where the manufaturer comes in direct contact. The sates company acto an a buffer.

All three corporations should be organized on a profitmaking basis in contrast to the formation of separate companies in some cases for legal purposes alone. No one company should control either of the others except insofar as there are stockhodders interested in the control of afl of the corperations.

Trucks are to be mandactured by the production company and delivered to the sales company on a cash basis. This is similar to the procedure of other eompanies otherwise organized, who ship their (ats to regional agents on sight draft with bill of lading attached. The sales company disposes of the cars. taking paper for a large part of the value. Sales are made in either of two ways. In some sates the truck is given to the buver on a conditional bill of able; in other states the title pasese and the company has a
mentage on the track. The note given by the customer bears a lixed rate of interest, and he must at the same time pay a carring eharge eowering fire, thoft, and liability insurance.

It is intended that the sale company sell the paper which it takes 10 the . $\begin{gathered}\text { rlington (inaranter Diseount }\end{gathered}$ Compation at a small discomat, and that the latter hokl the paper matilmaturity. The paper may be in the form of at single bote on which periorlic payments are moted, of a momber of separate note may be given for the parments as they fall due. The latter method is favored he this company, though the legal status of the two methods is pactically the same.

## Questions

1. Lre the argument: for the formation of separate corporations conclusive?
$\because$. Wre the ohjects attained if the controlling storkhohlers in earh are identical?
2. What legal adrantages are there in organizing soparate sales corporations".
3. Does such orqanization limit the activities of the sales department".

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[^0]:    *ise P. T. (herington, Essentials of Marketing.
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[^1]:    * Cpon location as appled particularly lo manufacturing plants, see rhapters in gemeral works mentioned above, alko shaw, A pproach to Business Prohlems, Chapters III, IX.

[^2]:    *Sales Manager, October, 1920. Should there be Separate Departments
    

[^3]:    *The Ven's Factory-Made Clothing Industry, Department of Com ${ }^{-}$ merer, Miscellaments Series No. 34, p. 239

[^4]:    *There are numerous articles in Printers' Int, Sates Management and Sales Manager, in addition to material found in books on salesmanship. See, for example, Sales Manager, January, Fehruary, March, 1921; Sales Management, July, October, 1920.

[^5]:    **The most notable work in applying pischological tests to selection of sales fore has been done hy the Bureau of Personnel Research of the Carnegie hastitute of Teehnology in connection with insurance salesmen. Recent developments of piychological tests as used in The United states Army are fombl in Yoakum and Yerkes, Army Mertal Tests. Nso The P'rsommel syskem of the Cnited States Army, Vol. I., pp. 115-16之. Whipple, Mamul of Mental and Physical Tests, and Pintere and l'atterson, A sicale of l'erformance Tests, may be consulted.

[^6]:    *Employment methods and problems are diseussed in Metcalf and Tead, P'ersonmel Admimistration, and Shefferman, Employment Methods. See also Bulletins of the Federal Board for Vocational Education, Employment Management Serics, 1-9; Amals of the American Academy of Political and Social Science, May, 1916. Problems Arising and Methorl Used in Interrieuing Employees, pp. 208-218. The Application Form, pp. 219-222.

[^7]:    *The seale has been prepared by Professor Daniel M. Starch of the Graduate School of Business Administration of Harvard University.

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[^9]:    ${ }^{*}$ Advertising and Selling. Nov. 13, Nov. 20. Nov. 27, 1920.

[^10]:    *Printers' Ink, September 14, 1916.

[^11]:    *Walter Wyman, in World's Markets, February 1921, p. 26. See also subsequent articles in March and April issues.

[^12]:    *Bulletin of the Taylor Society, Vol. V, No. 6, December, 1920.

[^13]:    *Sales Manager, March, 1921. The 11 orl: of the Sulus I'romotion Department.

[^14]:    *Cf. also Printers' Ink, October 25, 1917.

[^15]:    *Printers' Ink.

[^16]:    *Upon Sales Campaigns, see also Problems 187, 188, 321.

[^17]:    *Consult J. G. Frederick, Motern Salesmanagement, D. Appleton \& Company; C. S. Duncan, Marketing: Its Problems and Methods, D. Appleton \& Company, Chapter XVII: A. W. Shaw Company, Organizing for Increased Sales, Chapters VI, VII and IN; Henry S. Bunting, Added Lines in Modern Merehandising: R. P. Ettinger and D. E. Golieb, ('redits and Collections, Prentice-Hall, Inc.: Curtis Publishing Company, Selling Forces; Tipper, Hollingworth, Hotchkiss and Parsons, Ad-

[^18]:    vertising: Its Principles and Practice, Ronald Press Company; P. T. Cherington Advertising as a Busintss Force, Doubleday, Page \& Company. Relative to price fixing and price policy, general works upon economics by F. W. Taussig, Richard Ely, Thomas N. Carver, Alfred Marshall and others may be consulted to secure the economic basis of prices and price fixing. Price maintenance is treated in the doctoral dissertation of C. T. Murchison, Resale Price Maintenance, Columbia University; by F. W. Talssig in the American Economic Review; Paul W. Ivey, Elements of Marketing, Ronald Press Company; H. R. Tosdal, American Economic Review, March and June, 1918, and Quarterly Journal of Economics, November, 1915. A partial list of the numerous articles in Printers' $1 n k$, Sales Management, Sales Manager, System, Advertising and Sclling and other periodicals is given in the bibliography.

[^19]:    *January 10, 1920.

[^20]:    *Melvin T. Copeland, in Bulletin of the Taylor Socicty, April, 1921. Also series of articles upon "Simplification," in Factory, April, May, June, 1921.

[^21]:    *Bulletion, National Whatesale (irocars' Associntion, Nay. 1921.

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[^24]:    ＊Tulletin National Wholesale Grocers＇Associntion．

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